

**REPORT OF THE AUDIT OF THE  
MORGAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2013**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MORGAN COUNTY FISCAL COURT**

**June 30, 2013**

The Auditor of Public Accounts was engaged to audit the financial activities of the Morgan County, Kentucky, for fiscal year ended June 30, 2013 and we have issued a disclaimer of opinion thereon.

Audit work performed indicated evidence that abuse and intentional override of internal controls by management occurred that had a material effect on the financial statements. This took place due to circumvention of internal controls and failures in the operation of internal controls that allowed an individual to manipulate and misappropriate funds. Based on this, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues, in the aggregate, prevents us from placing any reliance on the financial activities contained in the Fourth Quarter Report of the Morgan County Fiscal Court and from expressing an opinion on the financial statement of Morgan County, Kentucky.

The Auditor of Public Accounts was also engaged to audit the compliance of Morgan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Morgan County did not comply with requirements regarding CFDA #10.923, CFDA #23.011 and CFDA #97.036. Due to the unreliability of the underlying financial records, auditors were unable to express, and we do not express, an opinion on the compliance requirements described in the U.S. OMB Circular A-133 Compliance Supplement.

#### **Report Comments:**

- 2013-001 The Fiscal Court Should Have Had More Oversight Of The Activities Of The County And The Former County Judge/Executive
- 2013-002 The County Has An Outstanding Encumbrance In The Amount Of \$954,936
- 2013-003 The Fiscal Court Does Not Have Adequate Oversight Over The Morgan County Real Properties I And II
- 2013-004 The Fiscal Court Should Ensure Insurance Policies Are Adequate
- 2013-005 Public Properties Corporation Disbursements Were Not Approved By The Project Development Board
- 2013-006 The Fiscal Court Should Pay Invoices Within 30 Working Days
- 2013-007 The Fiscal Court Should Pay Overtime Properly
- 2013-008 The Fiscal Court Should Approve Annually A Salary Schedule
- 2013-009 The County Should Properly Withhold Employees' Health Insurance Premiums
- 2013-010 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary
- 2013-011 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards
- 2013-012 The Fiscal Court Did Not Have Proper Oversight For Appalachian Regional Commission (ARC) Grant
- 2013-013 The County Did Not Maintain Adequate Supporting Documentation For Federal Expenditures
- 2013-014 Debris Removal Invoices Did Not Coincide Between FEMA Contractors
- 2013-015 The County Paid Contractors Based On Supporting Documentation That Was Created By County Personnel
- 2013-016 The Fiscal Court May Have Used FEMA Funds To Make Improvements To Park Project
- 2013-017 The County Did Not Comply With Federal Regulations Regarding Contracts
- 2013-018 The Fiscal Court Failed To Provide Required Matching Funds For NRCS Projects
- 2013-019 The Fiscal Court Failed To Solicit Bids For NRCS Projects
- 2013-020 The Fiscal Court Failed To Comply With Regulations Regarding American Reinvestment & Recovery Act (ARRA) Funds

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MORGAN COUNTY FISCAL COURT**  
**June 30, 2013**  
**(Continued)**

**Report Comments: (Continued)**

- 2013-021    The Fiscal Court Did Not Properly Approve Two FEMA Expenditures
- 2013-022    The Fiscal Court Did Not Execute A Lease Agreement For FEMA Temporary Relocation  
                 Activities

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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Tim Conley, Former Morgan County Judge/Executive  
Honorable Stanley Franklin, Morgan County Judge/Executive  
Members of the Morgan County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We were engaged to audit the financial activity contained in the Fourth Quarter Report of the Morgan County Fiscal Court, Kentucky, as of and for the year ended June 30, 2013.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**

Audit work performed indicated evidence that abuse and intentional override of internal controls by management occurred that had a material effect on the financial statements. This took place due to circumvention of internal controls and failures in the operation of internal controls that allowed an individual to manipulate and misappropriate funds. Based on this, we determined the risk for fraud to be too high and we were unable to apply other procedures to mitigate this fraud risk. The significance of these issues, in the aggregate, prevents us from placing any reliance on the financial activities contained in the Fourth Quarter Report of the Morgan County Fiscal Court.



To the People of Kentucky  
 Honorable Matthew G. Bevin, Governor  
 William M. Landrum III, Secretary  
 Finance and Administration Cabinet  
 Honorable Tim Conley, Former Morgan County Judge/Executive  
 Honorable Stanley Franklin, Morgan County Judge/Executive  
 Members of the Morgan County Fiscal Court

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

We were engaged for the purpose of forming an opinion on the financial activity in the Fourth Quarter Report of the Morgan County Fiscal Court. The Supplemental Schedule of Expenditures of Federal Awards (SEFA) is normally presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2015 on our consideration of Morgan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discuss the following report comments:

- 2013-001 The Fiscal Court Should Have Had More Oversight Of The Activities Of The County And The Former County Judge/Executive
- 2013-002 The County Has An Outstanding Encumbrance In The Amount Of \$954,936
- 2013-003 The Fiscal Court Does Not Have Adequate Oversight Over The Morgan County Real Properties I And II
- 2013-004 The Fiscal Court Should Ensure Insurance Policies Are Adequate
- 2013-005 Public Properties Corporation Disbursements Were Not Approved By The Project Development Board
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- 2013-013 The County Did Not Maintain Adequate Supporting Documentation For Federal Expenditures
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**Other Reporting Required by Government Auditing Standards (Continued)**

- 2013-016 The Fiscal Court May Have Used FEMA Funds To Make Improvements To Park Project
- 2013-017 The County Did Not Comply With Federal Regulations Regarding Contracts
- 2013-018 The Fiscal Court Failed To Provide Required Matching Funds For NRCS Projects
- 2013-019 The Fiscal Court Failed To Solicit Bids For NRCS Projects
- 2013-020 The Fiscal Court Failed To Comply With Regulations Regarding American Reinvestment & Recovery Act (ARRA) Funds
- 2013-021 The Fiscal Court Did Not Properly Approve Two FEMA Expenditures
- 2013-022 The Fiscal Court Did Not Execute A Lease Agreement For FEMA Temporary Relocation Activities

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

October 28, 2015

MORGAN COUNTY OFFICIALS

For The Year Ended June 30, 2013

**Fiscal Court Members:**

Tim Conley	County Judge/Executive
Jon Brown	Magistrate
Denzil Potter	Magistrate
Frankie Spencer	Magistrate
Anthony Lykins	Magistrate
Stanley Riggsby	Magistrate

**Other Elected Officials:**

D. Joleen Frederick	County Attorney
Jimmy D. Easterling	Jailer
Randy Williams	County Clerk
Donna Pelfrey	Circuit Court Clerk
Mickey Whitt	Sheriff
Darby Franklin	Property Valuation Administrator
Raymond Vancleave	Coroner

**Appointed Personnel:**

Darren Gillespie	County Treasurer
Lynn McClurg	Road Supervisor

**MORGAN COUNTY  
FOURTH QUARTER FINANCIAL STATEMENT**

**For The Year Ended June 30, 2013**



**MORGAN COUNTY  
FOURTH QUARTER FINANCIAL STATEMENT**

**For The Year Ended June 30, 2013**

**Morgan County Fiscal Court**

SECTION I

**Financial Statement**

*Fiscal Year 2012-2013*

*As Of: June 30, 2013*


**SUMMARY**

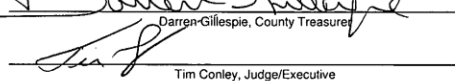
	General	Road	Jail	L.G.E.A.	Forest Fire	Special Proj.	Total
Total Receipts To-Date	3,305,519.21	2,416,002.06	552,517.78	0.00	3,783.00	24,025,080.46	30,302,902.51
Total Claims Paid To-Date	2,872,979.11	2,404,705.38	550,725.37		3,783.00	23,976,435.08	29,808,627.94
Cash Balance	432,540.10	11,296.68	1,792.41	0.00		48,645.38	494,274.57
Total Encumbrances							
Unencumbered Cash Balance	432,540.10	11,296.68	1,792.41	0.00		48,645.38	494,274.57

**RECONCILIATION**

	General	Road	Jail	L.G.E.A.	Forest Fire	Special Proj.	Total
Bank Balance	15,698.00	1,262.75	842.09			2,178.30	19,981.14
Deposits in Transit +							
Outstanding Checks -	15,698.00	1,262.75	842.09			2,178.30	19,981.14
Other Investments +	432,540.10	11,296.68	1,792.41			48,645.38	494,274.57
Cash Balance =	432,540.10	11,296.68	1,792.41			48,645.38	494,274.57

TO THE BEST OF MY KNOWLEDGE, THE INFORMATION CONTAINED HEREIN IS ACCURATE AND COMPLETE.

  
 Darren Gillespie, County Treasurer

  
 Tim Conley, Judge/Executive

7-24-13  
 Date

7-24-13  
 Date

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court							SECTION II
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July %Rcvd	Anticipated FY Revenues
General Fund							
01-4101-	REAL ESTATE TAXES	145,000.00	18,868.37	163,868.37	2,479.44	163,868.37 100.0%	(0.00)
01-4101-	-002 ROWAN CO. PROPERTY TAX	5,000.00	14,845.57	19,845.57	5,397.68	19,845.57 100.0%	
01-4102-	TANGIBLE PERSONAL PROPERTY TAX	20,000.00		20,000.00	60.59	11,680.89 58.4%	8,319.11
01-4103-	MOTOR VEHICLE TAXES	45,500.00	6,939.63	52,439.63	14,730.02	52,439.63 100.0%	(0.00)
01-4104-	DELINQUENT PROPERTY TAXES	16,000.00		16,000.00	3,220.28	13,348.70 83.4%	2,651.30
01-4107-	UNMINED MINERALS TAX	1,800.00		1,800.00		108.17 6.0%	1,691.83
01-4107-	-002 OIL & GAS TAXES	1,200.00	154.35	1,354.35	10.42	1,354.35 100.0%	
01-4113-	SOLID WASTE FEES	99,500.00	14,671.59	114,171.59	30,855.52	117,239.60 102.7%	(3,068.01)
01-4130-	BANK FRANCHISE TAX	30,500.00	4,159.10	34,659.10		34,659.10 100.0%	
01-4131-	FRANCHISE CORPORATION	22,500.00	2,851.17	25,351.17	38.02	25,351.17 100.0%	(0.00)
01-4134-	OCCUPATIONAL LICENSE TAX	375,000.00	50,262.22	425,262.22	108,400.42	425,262.22 100.0%	
01-4134-	-002 ROWAN CO. PAYROLL & PROFIT TAX	45,000.00		45,000.00	13,618.56	40,560.18 90.1%	4,439.82
01-4134-	-003 OCCUPATIONAL TAX PENALTIES	250.00		250.00			250.00
01-4135-	DEED TRANSFER TAX	9,500.00	274.10	9,774.10	2,232.98	9,774.10 100.0%	0.00
01-4137-	INSURANCE PREMIUM TAX	410,000.00	22,383.82	432,383.82	104,448.24	432,383.82 100.0%	
01-4140-	E 911 PHONE SURCHARGE	58,000.00		58,000.00	13,612.36	50,240.04 86.6%	7,759.96
01-4204-	FEDERAL PAYMENT IN LIEU		32,422.00	32,422.00	32,422.00	32,422.00 100.0%	
01-4302-	EXCESS FEES CLERK	600.00	8,820.37	9,420.37		9,420.37 100.0%	0.00
01-4304-	EXCESS FEES SHERIFF		119,945.00	119,945.00	51,945.00	119,945.00 100.0%	
01-4417-	TELECOMMUNICATIONS TAX	2,578.00		2,578.00	627.66	2,510.67 97.4%	67.33
01-4503-	FEMA DR-4057 TORNADO EXP REIMBURSEMENTS		108,003.44	108,003.44	108,003.44	108,003.44 100.0%	
01-4507-	FLOOD CONTROL PAYMENT	675.00	550.71	1,225.71		1,225.71 100.0%	
01-4510-	EMS GRANT		10,714.28	10,714.28	10,714.28	10,714.28 100.0%	
01-4510-	-006 LIBRARY DEBT FUNDING PAYMENT	183,250.00		183,250.00		183,250.00 100.0%	
01-4510-	-009 RESCUE SQUAD GRANT						
01-4510-	-010 AOC HVAC EQUIPMENT GRANT						
01-4510-441-	MORGAN COUNTY COMPUTER EQUIPMENT GRANT						
01-4520-	ELECTION EXPENSE REIMBURSEMENT	7,200.00		7,200.00		4,656.00 64.7%	2,544.00
01-4521-	BOARD OF ASSESSMENT APPEALS	300.00		300.00		200.00 66.7%	100.00

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court							SECTION II
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July %Rcvd	Anticipated FY Revenues
01-4522-	LEGAL PROCESS TAX	100.00		100.00		68.81 68.8%	31.19
01-4526-	STRIP MINE PERMIT FUND	1,500.00		1,500.00		300.00 20.0%	1,200.00
01-4532-	COURTHOUSE RENTAL	104,000.00	15,000.00	119,000.00	29,750.00	119,000.00 100.0%	
01-4542-	DES EMA REIMBURSE	20,000.00		20,000.00		5,900.30 29.5%	14,099.70
01-4612-	MORGAN COUNTY ANIMAL SHELTER		3,732.47	3,732.47	1,932.47	3,732.47 100.0%	(0.00)
01-4699-	AG DEVELOPMENT ADMIN FEES	9,500.00	89.00	9,589.00		9,589.00 100.0%	
01-4706-	SALE OF MACK TRUCK	121,485.00		121,485.00		113,225.00 93.2%	8,260.00
01-4706-	-002 SUSPENSE RECEIPTS						
01-4711-	RENTAL OF POST OFFICE BUILDING	660.00		660.00	220.00	660.00 100.0%	
01-4711-	-002 SUBLEASE TO AMBULANCE SERVICE	59,687.00	13,477.64	73,164.64	15,759.63	73,164.64 100.0%	(0.00)
01-4711-	-003 RENTAL OF CMS BUILDING						
01-4711-	-004 SUBLEASE TO GATEWAY COMM SERVICES						
01-4711-	-005 FACILITY RENT TO GATEWAY COMM SVCS	58,000.00	1,985.96	59,985.96	14,499.99	59,985.96 100.0%	(0.00)
01-4711-	-006 FACILITY RENT MOREHEAD STATE UNIVERSITY						
01-4711-	-008 FACILITY RENT MSU WIA	11,916.00		11,916.00	2,979.00	9,930.00 83.3%	1,986.00
01-4711-	-009 FACILITY RENT MORGAN CO WATER DEPARTMENT		22,833.30	22,833.30		22,833.30 100.0%	
01-4711-	-010 FACILITY RENT COMMERCIAL BANK		30,994.00	30,994.00		30,994.00 100.0%	
01-4726-	INSURANCE CLAIM PROCEEDS						
01-4726-	-002 INS CLMS PRCDs - LOSS OF RENT INC -CMS						
01-4726-	-003 INSURANCE PRCDs - LOSS OF BUSINESS INCOM		500,000.00	500,000.00		500,000.00 100.0%	
01-4726-	-004 INSURANCE CLAIMS PRCDs - LOSS OUTSIDE PROP		864.59	864.59		864.59 100.0%	
01-4726-	-005 INS CLAIM PRCDs - MARBLE DOUGHBOY STATUE		8,450.00	8,450.00		8,450.00 100.0%	
01-4727-	PVA INSURANCE REIMBURSEMENT		714.81	714.81		714.81 100.0%	
01-4727-	-002 INSURANCE REIMBURSEMENT BY EMPLOYEES	6,000.00	1,329.23	7,329.23	1,516.86	7,351.04 100.3%	(21.81)
01-4727-	-007 REBATE FROM KACO LEASING	25,000.00	22,395.58	47,395.58		47,395.58 100.0%	
01-4727-	-012 REIMBURSEMENT FROM MSU						
01-4731-	MISC. REVENUE	1,000.00	6,636.48	7,636.48	520.92	7,636.48 100.0%	
01-4731-	-002 NSF CHECK FEES	25.00		25.00			25.00
01-4731-	-004 KACO WORKERS COMP DIVIDEND		3,161.86	3,161.86		3,161.86 100.0%	
01-4806-	INTEREST, BANK	1,000.00	417.09	1,417.09	241.20	1,456.37 102.8%	(39.28)

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
01-4806-	-002 OCCUPATIONAL TAX INTEREST	250.00		250.00			250.00
	TOTAL REVENUES GENERAL FUND	1,899,476.00	1,047,947.73	2,947,423.73	570,236.98	2,896,877.59	50,546.14
01-4901-	- PRIOR YEAR CARRYOVER MM	400,659.35		400,659.35		858,452.33	(457,792.98)
01-4909-	- TRANSFER OUT - JAIL	(309,415.10)		(309,415.10)	(83,000.00)	(276,000.00)	(33,415.10)
01-4909-	-002 TRANSFER OUT - ROAD FUND				(80,000.00)	(280,000.00)	280,000.00
01-4909-	-003 TRANSFER OUT - SPECIAL PRJTS / TIMBERLA				(3,783.00)	(1,051,663.02)	1,051,663.02
01-4910-	- TRANSFER IN	118,289.29		118,289.29	498,740.02	1,052,029.31	(933,740.02)
01-4911-	-003 BORROWED MONEY- MAGNOLIA BK - LEASE# 28		105,823.00	105,823.00		105,823.00	
	TOTAL RECEIPTS GENERAL FUND	2,109,009.54	1,153,770.73	3,262,780.27	902,194.00	3,305,519.21	(42,738.94)



**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
Road Fund							
02-4205-	NAT'L FOREST REC	55,000.00		55,000.00			55,000.00
02-4506-312-00	BRIDGE CONST REIMBURSEMENT					45,500.00	(45,500.00)
02-4510-	RURAL SECONDARY ALLOTMENT	203,000.00	107,906.18	310,906.18	80,000.00	310,906.18	100.0%
02-4510-	-002 COAL SEV PRJCT GRANT FOR RD DEPT EQUIP	90,000.00		90,000.00		65,000.00	72.2%
02-4516-	TRUCK LICENSES	189,107.00	32,748.42	221,855.42		221,855.42	100.0%
02-4517-	DRIVERS LICENSES	1,160.00		1,160.00			1,160.00
02-4518-	CO. ROAD AID	1,229,955.00	476,371.00	1,706,326.00		1,706,326.00	100.0%
02-4542-	FEMA REIMBURSEMENT						
02-4727-	FUEL REIMB FROM WATER DISTRICT						
02-4727-	-003 LITTER PICKUP COST REIMBURSEMENT	6,000.00		6,000.00			6,000.00
02-4731-	MISC. REVENUE	1,000.00		1,000.00		873.38	87.3%
02-4806-	INTEREST, BANK	3,500.00	386.94	3,886.94	382.55	3,893.16	100.2%
	TOTAL REVENUES ROAD FUND	1,778,722.00	617,412.54	2,396,134.54	80,382.55	2,354,354.14	98.3%
02-4901-	PRIOR YEAR CARRYOVER	294.20		294.20		3,488.28	185.7%
02-4903-	ADJUSTMENT TO PRIOR YR CARRYOVER		5,301.00	5,301.00		5,301.00	100.0%
02-4909-	TRANSFER OUT - GENERAL FUND	(118,289.29)		(118,289.29)		(253,289.29)	
02-4909-	-002 TRANSFER OUT - SPECIAL PROJECTS						135,000.00
02-4910-	TRANSFER IN - LGEA	37,500.00		37,500.00	5,910.59	26,147.93	69.7%
02-4910-	-002 TRANSFER IN - GENERAL FUND				80,000.00	280,000.00	(280,000.00)
	TOTAL RECEIPTS ROAD FUND	1,698,226.91	622,713.54	2,320,940.45	166,293.14	2,416,002.06	104.1%

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July %Rcvd	Anticipated FY Revenues
<b>Jail Fund</b>							
03-4533-	JAIL OPERATION	55,000.00	17,546.84	72,546.84	5,000.00	72,546.84 100.0%	
03-4534-	JAIL MEDICAL ALLOTMENT	4,000.00	68.16	4,068.16		4,068.16 100.0%	
03-4535-	COURT COSTS, JAIL	3,800.00		3,800.00	1,070.40	3,523.21 92.7%	276.79
03-4538-	D.U.I. SERV FEE	2,000.00	723.42	2,723.42	1,376.71	3,306.28 121.4%	(582.86)
03-4567-	HB 413 ADD'L COURT COSTS	8,500.00	2,109.56	10,609.56	5,141.65	13,176.21 124.2%	(2,566.65)
03-4618-	RECOUPMENT OF JAIL COSTS	40,000.00		40,000.00	9,020.00	36,179.00 90.4%	3,821.00
03-4699-	TRANSPORTATION REIMBURSEMENT	25,000.00		25,000.00	7,361.38	23,577.89 94.3%	1,422.11
03-4727-	MEDICAL REIMBURSEMENT						
03-4731-	MISC. REVENUE	100.00		100.00			100.00
03-4806-	INTEREST, BANK	100.00		100.00	1.91	78.19 78.2%	21.81
<b>TOTAL REVENUES JAIL FUND</b>		<b>138,500.00</b>	<b>20,447.98</b>	<b>158,947.98</b>	<b>28,972.05</b>	<b>156,455.78 98.4%</b>	<b>2,492.20</b>
03-4901-	PRIOR YEAR CARRYOVER	500.00		500.00		4,969.26 993.9%	(4,469.26)
03-4909-	TRANSFER OUT - LGEA						
03-4910-	TRANSFER IN						
03-4910-	-001 TRANSFER IN - LGEA	157,500.00		157,500.00	23,880.53	115,092.74 73.1%	42,407.26
03-4910-	-002 TRANSFER IN - GENERAL FUND	309,415.10		309,415.10	83,000.00	276,000.00 89.2%	33,415.10
<b>TOTAL RECEIPTS JAIL FUND</b>		<b>605,915.10</b>	<b>20,447.98</b>	<b>626,363.08</b>	<b>135,852.58</b>	<b>552,517.78 88.2%</b>	<b>73,845.30</b>

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
L.G.E.A. Fund							
04-4527-	COAL SEVERANCE TAX	125,000.00		125,000.00	19,701.97	87,159.77	37,840.23
04-4528-	COAL IMPACT						
04-4529-	MINERAL SEVER TAX	70,000.00		70,000.00	10,089.15	54,080.90	15,919.10
04-4806-	INTEREST, BANK	100.00		100.00			100.00
TOTAL REVENUES LOCAL GOVERNMENT ECONOMIC ASSI		195,100.00		195,100.00	29,791.12	141,240.67	53,859.33
04-4901-	PRIOR YEAR CARRYOVER						
04-4909-	-001 TRANSFER OUT ROAD FUND	(37,500.00)		(37,500.00)	(5,910.59)	(26,147.93)	(11,352.07)
04-4909-	-002 TRANSFER OUT JAIL FUND	(157,500.00)		(157,500.00)	(23,880.53)	(115,092.74)	(42,407.26)
04-4909-	-003 TRANSFER OUT GENERAL FUND						
04-4910-	-001 TRANSFER IN - JAIL						
TOTAL RECEIPTS LOCAL GOVERNMENT ECONOMIC ASSIS		100.00		100.00	0.00	0.00	100.00

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
Forest Fire Fund							
12-4112-	TIMBERLAND TAXES	3,500.00	41,690.02	45,190.02		45,190.02	100.0%
12-4806-	INTEREST, BANK	20.00	40.54	60.54		60.54	100.0%
	TOTAL REVENUES FOREST FIRE PROTECTION FUND	3,520.00	41,730.56	45,250.56		45,250.56	100.0%
12-4901-	PRIOR YEAR CARRYOVER						
12-4909-	TRANSFER OUT				(45,250.56)	(45,250.56)	45,250.56
12-4910-	TRANSFER IN				3,783.00	3,783.00	(3,783.00)
	TOTAL RECEIPTS FOREST FIRE PROTECTION FUND	3,520.00	41,730.56	45,250.56	(41,467.56)	3,783.00	8.4%

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court						SECTION II	
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July	Anticipated FY Revenues
Special Proj. Fund							
75-4503-	FEMA DR-4057 3-2-12 TRNDO REIMBURSEMENT		1,590,005.19	1,590,005.19		1,590,005.19	100.0%
75-4504-	LITTER ABATEMENT GRANT	26,500.00		26,500.00		24,611.77	92.9%
75-4504-	-002 USDA PRJCT AGRMT 68-5C16-12-041 GRANT						
75-4504-	-003 USDA PRJCT AGRMT 68-5C16-12-036 GRANT						
75-4504-	-004 USDA PRJCT AGRMT 68-5C16-12-042 GRANT						
75-4504-	-005 USDA PRJCT AGRMT 68-5C16-12-057 GRANT						
75-4504-	-006 USDA PRJCT AGRMT 68-5C16-12-066 GRANT						
75-4504-	-007 USDA PRJCT AGRMT 68-5C16-12-062 GRANT						
75-4504-	-008 USDA PRJCT AGRMT 68-5C16-12-061 GRANT		57,600.00	57,600.00		57,600.00	100.0%
75-4504-	-009 FEDERAL ARC GRANT FOR MASTER PLAN		100,000.00	100,000.00	10,000.00	100,000.00	100.0%
75-4504-	-010 2012 COMM DEVELOPMENT BLOCK GRANT - CERF		500,000.00	500,000.00			500,000.00
75-4510-	- AG DEVELOPMENT GRANTS	197,000.00		197,000.00		193,167.95	98.1%
75-4510-	-001 2013 MORGAN CO RECYCLE WASTE TIRE GRANT		3,000.00	3,000.00		3,000.00	100.0%
75-4510-	-002 2013 MORGAN CO CRUMB RUBBER GRANT		17,900.00	17,900.00	17,900.00	17,900.00	100.0%
75-4510-	-006 SHERIFF'S VEHICLE LGEDF GRANT						
75-4510-	-007 COAL SEV PRJT GRANTS FOR EMERG SERVICES		34,482.60	34,482.60		34,482.60	100.0%
75-4510-	-008 2012 OPEN DUMP GRANT: FERGUSON & KEATON						
75-4510-	-010 KCTCS AMBULANCE GRANT						
75-4510-366-	2012 TORNADO SOLID WASTE REMOVAL GRANT						
75-4726-	-001 2012 TORNADO INS PROCEEDS: ALL LINES FUN						
75-4726-	-002 2012 TORNADO INS PROCEEDS: HEALTH DEPT						
75-4726-	-003 2012 TORNADO INS PROCEEDS: 09 GMC ENVOY		6,099.62	6,099.62		6,099.62	100.0%
75-4726-	-004 2012 TORNADO INS PROCEEDS: LIBRARY/ TECH						
75-4726-	-005 2012 TORNADO INS PRCDs: 12' FORD E350						
75-4726-	-006 2012 TORNADO INS PRCDs: SHERIFF 09 CRWN						
75-4726-	-007 2012 TNRDO INS PRCDs SHERIFF 09 CROWN						
75-4726-	-008 2012 TORNADO INS PRCDs: 04 FORD EXPEDITI		239.00	239.00		239.00	100.0%
75-4726-	-009 2012 TORNDAD INS PRCDs SHERIFF 2011 EXP		4,135.79	4,135.79		4,135.79	100.0%
75-4726-	-010 2012 TND0 INS PRCDs AOC DEBRIS REMOVAL						

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court							SECTION II
Revenue Condition Report							
As Of: 06/30/2013							
Period From: 04/01/2013 To: 06/30/2013							
Account No.	Account Name	Original Budget	Amendments	Total Budgeted	Total Received This Period	Total Received Since July %Rcvd	Anticipated FY Revenues
75-4726-	-011 2012 TNDO ISN PRCDs LOSS OUTSIDE PROP		8,582,296.00	8,582,296.00		8,582,296.00 100.0%	
75-4726-	-012 2012 TNDO INS PRCDs - AOC BUILDING		8,200,000.00	8,200,000.00		8,200,000.00 100.0%	
75-4726-	-013 2012 TNDO INS PRCDs - RESC SQUAD VEH DAM		2,141.00	2,141.00		2,141.00 100.0%	
75-4728-	- MORGAN CO TIRE DISPOSAL GRANT						
75-4728-	-002 CONSERVA DISTRICT ENVIRONMENTAL GRANT	5,000.00	5,000.00	10,000.00		10,000.00 100.0%	
75-4731-	-002 FLEX E GRANT VIDEO PROJECT						
75-4731-	-003 BRUSHY FORK GRANT / DELANCY PARK PRJCT						
75-4731-	-004 2011 MURAL PROJECT - PAINT THE TOWN		744.93	744.93		744.93 100.0%	
75-4731-	-005 REBUILD MORGAN COUNTY KENTUCKY		2,434,376.90	2,434,376.90		2,434,376.90 100.0%	
75-4731-	-006 CAPITALIZED INTEREST DEPOSIT FOR NMTC LN		88,489.46	88,489.46		88,489.46 100.0%	
75-4806-	- INTEREST, BANK	1,000.00	8,719.29	9,719.29	868.11	9,945.35 102.3%	(226.06)
TOTAL REVENUES SPECIAL PROJECTS FUND		229,500.00	21,635,229.78	21,864,729.78	28,768.11	21,359,235.56 97.7%	505,494.22
75-4901-	- PRIOR YEAR CARRYOVER	317,476.51		317,476.51		229,724.13 72.4%	87,752.38
75-4903-	- ADJUSTMENT TO PRIOR YR SURPLUS						
75-4909-	- TRANSFER OUT - GENERAL FUND				(453,489.46)	(753,489.46)	753,489.46
75-4910-	- TRANSFER IN -						
75-4910-	-002 TRANSFER IN - GENERAL FUND					1,047,880.02	(1,047,880.02)
75-4911-	- BORROWED MONEY						
TOTAL RECEIPTS SPECIAL PROJECTS FUND		546,976.51	21,635,229.78	22,182,206.29	(424,721.35)	21,883,350.25 98.7%	298,856.04
GRAND TOTAL RECEIPTS FOR ALL FUNDS		4,963,748.06	23,473,892.59	28,437,640.65	738,150.81	28,161,172.30 99.0%	276,468.35

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court Appropriation Condition Report								SECTION IV
As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5001-101-	COUNTY JUDGE/EXECUTIVE SALARY	79,718.60		4,400.53	84,119.13	21,811.79	84,119.13 100.0%	0.00
01-5001-185-	CJE OFFICE STAFF SALARY	60,465.60		39,749.79	100,215.39	26,371.93	100,215.39 100.0%	0.00
01-5001-425-	CJE OFFICE COFFEE & CREME	1,100.00		1,422.00	2,522.00	706.00	2,522.00 100.0%	
01-5001-443-	MOTOR VEHICLE CLEANING & MAINTENANCE			1,880.00	1,880.00		1,880.00 100.0%	
01-5001-531-	COUNTY JUDGE/EXEC BOND	110.00			110.00		101.80 92.5%	8.20
01-5001-551-	JUDGE'S ASSOCIATION MEMBERSHIP	1,000.00		867.00	1,867.00		1,867.00 100.0%	
01-5001-569-	CONFERENCES & TRAINING	3,000.00		(1,257.50)	1,742.50	175.00	1,742.50 100.0%	
01-5001-578-	CJE OFFICE CABLE TV	675.00		(675.00)				
01-5001-592-	MOTOR VEHICLE REPAIRS							
01-5005-101-	COUNTY ATTORNEY SALARY	16,000.00		7,199.96	23,199.96	5,799.99	23,199.96 100.0%	(0.00)
01-5005-165-	COUNTY ATTORNEY SECRETARY	19,200.00			19,200.00	3,747.99	14,991.96 78.1%	4,208.04
01-5005-364-	COUNTY ATTORNEY RENT	7,200.00		(7,200.00)				
01-5005-531-	COUNTY ATTORNEY BOND	200.00		(200.00)				
01-5005-551-	COUNTY ATTORNEY KCAA DUES	1,000.00		(250.00)	750.00		750.00 100.0%	
01-5005-563-	COUNTY ATTORNEY POSTAGE	400.00		415.38	815.38		815.38 100.0%	
01-5005-566-	COUNTY ATTORNEY OFFICE SUPPLIES	2,500.00		1,401.22	3,901.22	893.40	3,901.22 100.0%	(0.00)
01-5005-569-	COUNTY ATTORNEY TRAINING			915.00	915.00		915.00 100.0%	
01-5005-573-	COUNTY ATTORNEY TELEPHONE	5,000.00		522.11	5,522.11	1,646.36	5,522.11 100.0%	(0.00)
01-5005-576-	COUNTY ATTORNEY TRAVEL EXPENSES	750.00		675.71	1,425.71	546.65	1,425.71 100.0%	
01-5005-578-	COUNTY ATTORNEY UTILITIES	1,700.00		(1,545.40)	154.60	154.60	154.60 100.0%	(0.00)
01-5010-368-	CLERK TAX BILL PREPARATION	4,800.00		(1,506.90)	3,293.10	2,173.95	3,293.10 100.0%	
01-5015-101-	SHERIFF'S SALARY							
01-5015-103-	SHERIFF'S DEPT ALLOTMENT	79,400.00	119,945.00		199,345.00	67,640.61	176,014.57 88.3%	23,330.43
01-5015-531-	SHERIFF'S BOND	200.00		716.20	916.20		916.20 100.0%	0.00
01-5020-101-	CORONER SALARY	9,600.00			9,600.00	2,400.00	9,600.00 100.0%	
01-5020-103-	CORONER DEPUTY SALARY	3,000.00			3,000.00	750.00	3,000.00 100.0%	
01-5020-344-	CORONER PAUPER BURIALS	500.00		1,500.00	2,000.00	500.00	2,000.00 100.0%	
01-5020-441-	CORONER EQUIPMENT	3,000.00		(2,767.73)	232.27		232.27 100.0%	(0.00)
01-5020-531-	CORONER BOND	306.00			306.00		305.40 99.8%	.60
01-5020-551-	CORONERS ASSOCIATION DUES	150.00		(150.00)				

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
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Morgan County Fiscal Court							SECTION IV	
Appropriation Condition Report								
As Of: 06/30/2013								
Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5020-566-	CORONER'S OFFICE EXPENSE	500.00		(448.63)	51.37		51.37 100.0%	0.00
01-5020-569-	CORONER TRAINING	500.00			500.00			500.00
01-5020-573-	CORONER TELEPHONE	800.00			800.00	191.81	721.47 90.2%	78.53
01-5020-576-	CORONER TRAVEL EXPENSES	250.00			250.00		214.23 85.7%	35.77
01-5020-592-	CORONER'S VEHICLE OPERATION/MAINT	2,500.00			2,500.00	677.15	2,265.94 90.6%	234.06
01-5025-101-	MAGISTRATES SALARIES	36,000.00		17,333.82	53,333.82	9,000.00	53,333.82 100.0%	
01-5025-167-	CLERK OF COURT SALARY	3,000.00			3,000.00	750.00	3,000.00 100.0%	
01-5025-191-	REAPPORTIONMENT BOARD							
01-5025-210-	MAGISTRATES COMMITTEE EXPENSE	13,500.00			13,500.00	3,375.00	13,500.00 100.0%	
01-5025-212-	INCENTIVE TRAINING ELECTED OFFICIALS	33,300.00		(25,660.48)	7,639.52		7,639.52 100.0%	
01-5025-302-	LEGAL ADVERTISING	2,500.00		1,022.47	3,522.47	408.73	3,522.47 100.0%	
01-5025-304-	APPRAISAL SERVICES	500.00		(500.00)				
01-5025-315-	ADMINISTRATIVE CODE CONSULTING	250.00		(250.00)				
01-5025-315-002	SOFTWARE MAINTENANCE FEES	11,000.00		(600.00)	10,400.00	10,400.00	10,400.00 100.0%	
01-5025-318-	DATA PROCESSING	500.00		3,260.95	3,760.95	1,035.95	3,760.95 100.0%	
01-5025-332-	LEGAL FEES	500.00		(114.14)	385.86	135.86	385.86 100.0%	
01-5025-364-001	MSU OFFICE SPACE RENTAL			123,150.00	123,150.00	24,630.00	123,150.00 100.0%	
01-5025-371-	STORAGE CONTAINER RENTALS			26,998.70	26,998.70	2,468.74	26,998.70 100.0%	(0.00)
01-5025-371-002	YAMAHA BLDG - WHAREHOUSE STORAGE			25,447.68	25,447.68	4,500.00	25,447.68 100.0%	
01-5025-371-003	INDEX COMM CHURCH - DIST/ WHRHSE STORAC			13,500.00	13,500.00		13,500.00 100.0%	
01-5025-445-	OFFICE SUPPLIES	5,000.00		5,571.24	10,571.24	1,202.11	10,571.24 100.0%	
01-5025-445-002	AG DEVELOPMENT GRANT FORMS	400.00		1,460.00	1,860.00		1,860.00 100.0%	
01-5025-499-	MISCELLANEOUS EXPENSES	1,000.00		1,990.80	2,990.80		2,990.80 100.0%	
01-5025-501-	ADD DISTRICT PAYMENTS	5,300.00		(173.10)	5,126.90	1,044.21	5,126.90 100.0%	
01-5025-507-	OLD MILL PARK BLUE GRASS FESTIVAL	2,000.00		500.00	2,500.00		2,500.00 100.0%	
01-5025-507-002	MORGAN COUNTY SORGHUM FESTIVAL	2,000.00		3,000.00	5,000.00		5,000.00 100.0%	
01-5025-507-003	MARKET IN THE PARK	2,000.00		(2,000.00)				
01-5025-507-004	COMMUNITY POOL EVENTS	2,000.00		3,000.00	5,000.00		5,000.00 100.0%	
01-5025-507-005	FOX LOT BLUEGRASS FESTIVAL	2,000.00		(2,000.00)				
01-5025-507-006	PRIDE ENVIRONMENTAL OUTREACH PROGRAM			4,500.00	4,500.00		4,500.00 100.0%	

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Morgan County Fiscal Court Appropriation Condition Report								SECTION IV
As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5025-507-007	MORGAN CO LONG TERM RECOV TEAM EXPENSE			2,126.80	2,126.80		2,126.80 100.0%	
01-5025-507-008	MORGAN COUNTY COMMUNITY CENTER			500.00	500.00	500.00	500.00 100.0%	
01-5025-531-	MAGISTRATES BONDS	625.00		(116.00)	509.00		509.00 100.0%	
01-5025-531-001	OFFICE STAFF BONDS	550.00		86.25	636.25		636.25 100.0%	
01-5025-539-	RECORDING FEES	150.00		199.00	349.00	60.00	349.00 100.0%	
01-5025-550-	FIRST AID SUPPLIES	150.00		217.04	367.04		367.04 100.0%	
01-5025-551-	ASSOCIATION MEMBERSHIPS	3,000.00		(673.00)	2,327.00	350.00	2,327.00 100.0%	
01-5025-563-	POSTAGE	2,000.00		241.06	2,241.06	527.31	2,241.06 100.0%	
01-5025-566-	NEWSPAPER	300.00		120.40	420.40	82.68	420.40 100.0%	
01-5025-567-	REFUND FROM CERS	100.00		(100.00)				
01-5025-567-002	MUNICIPAL INSUR TAX REFUND	250.00		(250.00)				
01-5025-569-	MAGISTRATES CONFERENCES	4,000.00		1,362.50	5,362.50	700.00	5,362.50 100.0%	
01-5025-569-002	MAGISTRATES CONFERENCES			1,625.00	1,625.00		1,625.00 100.0%	
01-5025-576-	TRAVEL EXPENSES	25,000.00		(1,469.60)	23,530.40	5,529.57	23,530.40 100.0%	(0.00)
01-5025-705-	DATA PROCESSING EQUIPMENT	2,500.00		1,491.98	3,991.98		3,991.98 100.0%	0.00
01-5030-103-	PVA DEPUTY HIRE / BASE BILL			2,675.00	2,675.00		2,675.00 100.0%	
01-5030-367-	PVA STATUTORY CONTRIBUTIONS	19,000.00		(2,393.08)	16,606.92	4,195.39	16,606.92 100.0%	
01-5035-191-	BOARD OF ASSESSMENT APPEALS	250.00		150.00	400.00		400.00 100.0%	
01-5040-102-	COUNTY TREASURER SALARY	22,500.00			22,500.00	5,625.00	21,375.00 95.0%	1,125.00
01-5040-105-	ASSISTANT COUNTY TREASURER SALARY			3,000.00	3,000.00	1,500.00	3,000.00 100.0%	
01-5040-531-	COUNTY TREASURER BOND	700.00			700.00		671.88 96.0%	28.12
01-5047-599-	OCCUPATIONAL TAX REFUND	100.00		(100.00)				
01-5060-101-	LAW LIBRARIAN SALARY	600.00			600.00	150.00	600.00 100.0%	
01-5065-192-	ELECTION OFFICERS	7,500.00		550.00	8,050.00		8,050.00 100.0%	
01-5065-193-	ELECTION COMMISSIONERS	1,750.00			1,750.00		1,750.00 100.0%	
01-5065-446-	ELECTION MATERIALS AND SUPPLIES	20,000.00		2,493.25	22,493.25		22,493.25 100.0%	
01-5065-446-002	ELECTION EQUIPMENT / VOTING MACHINES			85,085.07	85,085.07	113.00	85,085.07 100.0%	
01-5065-525-	INSURANCE ON VOTING EQUIPMENT	250.00			250.00		232.97 93.2%	17.03
01-5065-565-	ELECTION PRINTING AND ADVERTISING	2,500.00		(1,857.37)	642.63		642.63 100.0%	0.00
01-5080-175-	COURTHOUSE CUSTODIAL	34,000.00		(16,083.50)	17,916.50	4,569.60	17,916.50 100.0%	0.00

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
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Morgan County Fiscal Court Appropriation Condition Report As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								SECTION IV
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5080-340-	COURTHOUSE MAINTENANCE & REPAIRS	4,000.00		(3,537.00)	463.00		463.00 100.0%	
01-5080-352-	COURTHOUSE ELEVATOR MAINTENANCE	3,600.00		(3,600.00)				
01-5080-411-	COURTHOUSE CUSTODIAL SUPPLIES	3,500.00		(3,472.00)	28.00		28.00 100.0%	
01-5080-425-	BOTTLED WATER	600.00		(215.95)	384.05	132.05	384.05 100.0%	
01-5080-525-	COURTHOUSE INSURANCE	3,394.00		23,996.61	27,390.61	9,649.20	27,390.61 100.0%	(0.00)
01-5080-578-	COURTHOUSE UTILITIES	20,000.00		(12,244.13)	7,755.87	2,339.27	7,755.87 100.0%	(0.00)
01-5085-175-	OTHER PROPERTY CUSTODIAL	45,720.00		(13,931.88)	31,788.12	6,456.83	31,788.12 100.0%	(0.00)
01-5085-175-002	OTHER PROP TECH CENTER MAINT SALARY	14,600.00			14,600.00	3,850.56	14,302.08 98.0%	297.92
01-5085-179-001	TEMPORARY MAINTENANCE EMPLOYEE SALARY							
01-5085-340-	OTHER PROPERTY MAINTENANCE & REPAIRS	25,000.00		20,872.87	45,872.87	7,545.57	45,872.87 100.0%	(0.00)
01-5085-340-002	OTHER PROP TECH CENTER MAINT & REPAIRS	10,000.00		30,607.12	40,607.12	8,202.38	40,607.12 100.0%	
01-5085-352-	OTHER PROPERTY ELEVATOR MAINTENANCE	2,000.00		(1,866.85)	133.15		133.15 100.0%	0.00
01-5085-411-	OTHER PROPERTY CUSTODIAL SUPPLIES	5,000.00			5,000.00	1,619.13	4,907.04 98.1%	92.96
01-5085-411-002	OTHER PROP TECH CENTER JANITORIAL	6,000.00		(4,000.00)	2,000.00		1,000.00 50.0%	1,000.00
01-5085-446-	INSURANCE PRCDs FOR COUNTY PROP CONTE			9,865.48	9,865.48		9,865.48 100.0%	
01-5085-481-	TECH CENTER UNIFORMS	1,000.00		418.07	1,418.07	454.64	1,418.07 100.0%	(0.00)
01-5085-499-	OTHER PROPERTY FALL DECORATIONS	250.00		250.00	500.00		500.00 100.0%	
01-5085-525-	OTHER PROPERTY INSURANCE COMM CENTER	4,542.00		30,899.38	35,441.38		35,441.38 100.0%	(0.00)
01-5085-525-002	OTHER PROPERTY INSURANCE TECH CENTER	13,500.00			13,500.00		12,579.91 93.2%	920.09
01-5085-525-003	OTHER PROPERTY INSURANCE CMS BLDG	1,350.00			1,350.00		1,258.01 93.2%	91.99
01-5085-525-004	OTHER PROPERTY INSURANCE ANIMAL SHELTE	270.00			270.00		251.60 93.2%	18.40
01-5085-525-005	OTHER PROPERTY INSURANCE RIFLE COAL PRI	2,000.00		(2,000.00)				
01-5085-573-	OTHER PROPERTY TELEPHONE	10,000.00		6,448.87	16,448.87	4,646.45	16,448.87 100.0%	0.00
01-5085-578-	OTHER PROPERTY UTILITIES	34,000.00		9,695.21	43,695.21	11,967.15	43,695.21 100.0%	(0.00)
01-5085-578-002	TECH CENTER UTILITIES	70,000.00		27,115.33	97,115.33	25,767.45	97,115.33 100.0%	0.00
01-5085-709-	OTHER PROPERTY CABINETS IN CLERK'S OFFIC							
01-5085-709-002	OTHER PROPERTY PVA OFFICE FLOORING							
01-5090-531-	COUNTY SURVEYOR BOND	110.00			110.00		101.80 92.5%	8.20
01-5100-348-	FIRE DEPART & RESCUE SQUAD PROG SUPPOR							
01-5100-348-002	WEATHER BUG SYSTEM							

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
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Morgan County Fiscal Court Appropriation Condition Report								SECTION IV
As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-5100-739-	CODE RED ALERT SYSTEM			6,011.25	6,011.25	6,011.25	6,011.25 100.0%	
01-5110-531-	CONSTABLE BONDS	550.00			550.00		509.00 92.5%	41.00
01-5130-739-	RESCUE SQUAD GRANT							
01-5135-102-	DES DIRECTOR'S SALARY	22,300.00			22,300.00	5,997.65	22,223.37 99.7%	76.63
01-5135-420-	DES MATERIALS & SUPPLIES	1,500.00		(1,055.00)	445.00		445.00 100.0%	
01-5135-592-	DES VEHICLE MAINTENANCE & REPAIRS	1,000.00		(1,000.00)				
01-5140-549-	EMS GRANT TO AMBULANCE SERVICE		10,714.28		10,714.28	10,714.28	10,714.28 100.0%	
01-5140-723-	AMBULANCE PURCHASE		105,823.00		105,823.00		105,823.00 100.0%	
01-5145-703-	E-911 PROGRAM EXPENDITURES	58,000.00		(3,126.96)	54,873.04	13,604.46	54,873.04 100.0%	(0.00)
01-5160-567-	JOINT DRUG INVESTIGATIONS							
01-5175-903-	PUBLIC DEFENDER	1,800.00			1,800.00		1,744.00 96.9%	56.00
01-5205-105-	ANIMAL CONTROL STAFF	23,825.00		4,004.22	27,829.22	7,417.28	27,829.22 100.0%	
01-5205-403-	ANIMAL CONTROL EXPENDITURES	15,000.00	3,732.47	(2,484.08)	16,248.39	3,257.11	16,248.39 100.0%	(0.00)
01-5205-578-	ANIMAL CONTROL FACILITY UTILITIES	5,000.00		737.26	5,737.26	1,622.48	5,737.26 100.0%	0.00
01-5212-398-	ENVIRONMENTAL EDUCATION LIASON							
01-5212-739-	SOLID WASTE OTHER EQUIPMENT			20,774.00	20,774.00		20,774.00 100.0%	
01-5215-366-	SOLID WASTE PROGRAM	84,000.00		10,162.60	94,162.60	23,913.56	94,162.60 100.0%	
01-5215-571-	SOLID WASTE FACILITY REPAIRS	1,000.00		(214.32)	785.68	85.84	785.68 100.0%	0.00
01-5233-363-	PSYCHIATRIC EVALUATIONS	250.00		(250.00)				
01-5305-356-	SENIOR CITIZENS PROGRAM	2,500.00		993.34	3,493.34		3,493.34 100.0%	
01-5325-507-	MORGAN COUNTY DAV	2,000.00		(2,000.00)				
01-5325-507-002	KYNG MEMORIAL FUND - KY NATIONAL GUARD			500.00	500.00	500.00	500.00 100.0%	
01-5340-507-001	HELPING HANDS			2,000.00	2,000.00	2,000.00	2,000.00 100.0%	
01-5401-177-	CANNEL CITY PARK	660.00		20.00	680.00	185.00	680.00 100.0%	
01-5410-902-	LIBRARY FUNDS UNALLOCATED FROM LEASE PI	36,047.96		(36,047.96)				
01-5425-507-	OLD MILL BLUEGRASS FESTIVAL							
01-5425-507-002	SORGHUM FESTIVAL							
01-5425-507-003	MARKET IN THE PARK							
01-5425-507-004	PAUL GILLEY DAY FESTIVAL			1,000.00	1,000.00	1,000.00	1,000.00 100.0%	
01-5425-507-005	AMERICAN RED CROSS							

**MORGAN COUNTY**  
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Morgan County Fiscal Court							SECTION IV		
Appropriation Condition Report									
As Of: 06/30/2013									
Period From: 04/01/2013 To: 06/30/2013									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD	%Used	Free Balance
01-5425-507-006	DELANCY PARK								
01-5430-507-	FOOTHILLS ECO-AGRI TOURISM								
01-5435-338-	MORGAN COUNTY HISTORICAL SOCIETY	1,000.00		(1,000.00)					
01-7401-601-001	BOND PRINCIPAL- G/O ANT NOTE 2012 MORGAN								
01-7401-601-002	BOND PRINCIPAL - 2012B BONDS MORGAN CO			29,090.88	29,090.88	10,909.08	18,181.80	62.5%	10,909.08
01-7401-605-001	BOND INTEREST - G/O ANT NOTE 2012 MORGAN			42,442.10	42,442.10	42,442.10	42,442.10	100.0%	
01-7401-605-002	BOND INTEREST - 2012B BOND MORGAN CO			69,207.06	69,207.06	20,757.27	41,522.62	60.0%	27,684.44
01-7600-548-001	NEW MKT TAX CREDIT CAPITALIZED INTEREST			16,607.25	16,607.25	16,607.25	16,607.25	100.0%	
01-7700-602-	LEASE PRINCIPAL - LIBRARY	116,906.00			116,906.00		116,906.00	100.0%	
01-7700-602-008	LEASE PRINCIPAL - # 14 AMBULANCE								
01-7700-602-009	LEASE PRINCIPAL - #17 VEHICLE								
01-7700-602-011	LEASE PRINCIPAL - # 19 AMBULANCE	20,000.00			20,000.00		20,000.00	100.0%	
01-7700-602-012	LEASE PRINCIPAL - # 22 DEFIBRILLATORS	10,749.62			10,749.62	1,092.37	10,749.62	100.0%	0.00
01-7700-602-014	LEASE PRINCIPAL - #24 MACK TRUCK								
01-7700-602-015	LEASE PRINCIPAL - # 23 AMBULANCE / EQUIP	24,999.96			24,999.96	6,249.99	24,999.96	100.0%	(0.00)
01-7700-602-016	LEASE PRINCIPAL - # 25 TRUCKS	44,000.00		89,500.00	133,500.00		133,500.00	100.0%	
01-7700-602-017	LEASE PRINCIPAL - # 26 RIFLE COAL BUILDIN	110,000.04		(18,333.34)	91,666.70	9,166.67	91,666.70	100.0%	
01-7700-602-018	LEASE PRINCIPAL - # 27 TRUCK								
01-7700-602-019	LEASE PRINCIPAL - #28 AMBULANCE			10,516.60	10,516.60	6,372.27	10,516.60	100.0%	
01-7700-606-	LEASE INTEREST - LIBRARY	68,883.07			68,883.07		68,883.07	100.0%	
01-7700-606-008	LEASE INTEREST - # 14 AMBULANCE								
01-7700-606-009	LEASE INTEREST - #17 VEHICLE								
01-7700-606-011	LEASE INTEREST - # 19 AMBULANCE	1,440.92		45.60	1,486.52	265.55	1,486.52	100.0%	(0.00)
01-7700-606-012	LEASE INTEREST - # 22 DEFIBRILLATORS	387.93		50.13	438.06	21.52	438.06	100.0%	0.00
01-7700-606-014	LEASE INTEREST - #24 MACK TRUCK								
01-7700-606-015	LEASE INTEREST - #23 AMBULANCE / EQUIP	2,108.57		148.11	2,256.68	459.38	2,256.68	100.0%	
01-7700-606-016	LEASE INTEREST - # 25 TRUCKS	4,593.52		(2,680.00)	1,913.52		1,913.52	100.0%	0.00
01-7700-606-017	LEASE INTEREST - # 26 RIFLE COAL BUILDIN	73,373.05		(11,886.26)	61,486.79	6,108.32	61,486.79	100.0%	
01-7700-606-018	LEASE INTEREST - # 27 TRUCK			3,879.17	3,879.17	1,130.82	3,879.17	100.0%	
01-7700-606-019	LEASE INTEREST - #28 AMBULANCE			2,092.42	2,092.42	1,133.72	2,092.42	100.0%	

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**MORGAN COUNTY**  
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As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
01-8000-548-	FARMERS MARKET SHELTER							
01-8000-731-	RIFLE COAL BUILDING PURCHASE							
01-8007-741-	AIRPORT MATCHING GRANTS	1,800.00		14,225.73	16,025.73	121.50	16,025.73 100.0%	
01-8011-715-	ECONOMIC DEVELOPMENT							
01-9100-307-	AUDIT FEES	30,000.00		30,244.40	60,244.40	7,500.00	60,244.40 100.0%	
01-9200-999-	RESERVE FOR TRANSFERS	110,657.70	913,555.98	(1,018,790.48)	5,423.20			5,423.20
01-9300-999-	TRANSFER TO OTHER FUND							
01-9400-201-	FRINGES SOCIAL SECURITY	31,800.00		4,249.05	36,049.05	7,982.29	36,049.05 100.0%	
01-9400-202-	FRINGES RETIREMENT	86,840.00			86,840.00	18,038.45	78,680.64 88.3%	10,159.36
01-9400-205-	FRINGES HEALTH INSURANCE	224,500.00			224,500.00	53,600.97	215,297.64 95.9%	9,202.36
01-9400-205-002	FRINGES DENTAL INSURANCE	11,500.00			11,500.00	2,743.35	11,144.68 96.9%	355.32
01-9400-208-	FRINGES UNEMPLOYMENT INSURANCE	3,300.00			3,300.00		1,739.76 52.7%	1,560.24
01-9400-209-	FRINGES WORKMEN'S COMPENSATION	18,000.00		8,995.43	26,995.43		26,995.43 100.0%	0.00
TOTAL GENERAL FUND		2,108,759.54	1,153,770.73	-292,088.19	2,970,442.08	590,682.84	2,872,979.11 96.7%	97,462.97
02-5025-599-	MISCELLANEOUS EXPENSE			167.36	167.36		167.36 100.0%	
02-6103-102-	ROAD SUPERVISOR SALARY	30,300.00		1,458.58	31,758.58	8,211.00	31,758.58 100.0%	
02-6105-143-	OTHER SALARIES	355,600.00			355,600.00	85,517.27	323,999.48 91.1%	31,600.52
02-6105-324-	DRUG TESTING	400.00			400.00		201.00 50.3%	199.00
02-6105-343-	EMPLOYEE PHYSICAL EXAMS	400.00			400.00			400.00
02-6105-398-	SNOW REMOVAL SERVICES	1,000.00			1,000.00			1,000.00
02-6105-405-	ASPHALT & SUPPLIES	20,000.00		(7,000.00)	13,000.00		4,536.01 34.9%	8,463.99
02-6105-409-	STONE & GRAVEL	50,000.00		49,068.65	99,068.65	29,249.31	99,068.65 100.0%	0.00
02-6105-415-	DIESEL FUEL	40,000.00		39,428.35	79,428.35	21,857.09	79,428.35 100.0%	
02-6105-421-	SALT	5,000.00		3,615.06	8,615.06		8,615.06 100.0%	
02-6105-427-	GARAGE SUPPLIES	4,000.00		4,830.78	8,830.78	4,101.15	8,830.78 100.0%	0.00
02-6105-429-	GASOLINE	35,000.00		6,711.27	41,711.27	8,522.14	41,711.27 100.0%	0.00
02-6105-431-	BRIDGE MATERIALS	5,000.00			5,000.00	3,168.36	3,546.36 70.9%	1,453.64
02-6105-441-	EQUIPMENT PURCHASES			102,215.01	102,215.01	2,089.74	102,215.01 100.0%	
02-6105-443-	REPAIR PARTS	30,000.00		41,470.70	71,470.70	11,130.92	71,470.70 100.0%	(0.00)

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Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
02-6105-447-	MATERIALS GENERAL	4,000.00			4,000.00	262.53	3,983.98 99.6%	16.02
02-6105-455-	OIL & LUBRICANTS	4,500.00			4,500.00	176.25	1,216.32 27.0%	3,283.68
02-6105-457-	PIPE	12,000.00		9,699.49	21,699.49	2,572.57	21,699.49 100.0%	(0.00)
02-6105-469-	ROAD SIGNS	1,000.00			1,000.00		140.00 14.0%	860.00
02-6105-479-	TIRES & TUBES	8,000.00		2,562.16	10,562.16	2,715.00	10,562.16 100.0%	
02-6105-481-	UNIFORMS	10,000.00		5,835.73	15,835.73	4,120.12	15,835.73 100.0%	(0.00)
02-6105-514-	STONE HAUL BILL	18,000.00		15,954.90	33,954.90	9,647.18	33,954.90 100.0%	0.00
02-6105-550-	FIRST AID SUPPLIES	250.00			250.00	100.16	191.31 76.5%	58.69
02-6105-573-	TELEPHONE	5,000.00			5,000.00	745.27	4,272.85 85.5%	727.15
02-6105-578-	UTILITIES	3,000.00		15,915.61	18,915.61	4,048.17	18,915.61 100.0%	(0.00)
02-7700-602-	VEHICLE LEASE, FIFTH THIRD							
02-7700-602-003	LEASE PRINCIPAL - # 4 ROADS	135,996.01		(69,036.02)	66,959.99		66,959.99 100.0%	0.00
02-7700-602-004	LEASE PRINCIPAL - #5 ROADS	70,799.17		(35,941.25)	34,857.92		34,857.92 100.0%	
02-7700-602-008	LEASE PRINCIPAL - # 16 BACKHOE	8,000.00			8,000.00		8,000.00 100.0%	
02-7700-602-012	LEASE PRINCIPAL - # 20 ROAD PAVING PJCT	26,087.83		(13,174.13)	12,913.70		12,913.70 100.0%	0.00
02-7700-602-013	LEASE PRINCIPAL - # 21 ROAD RESURFACING	19,121.39		(9,624.33)	9,497.06		9,497.06 100.0%	
02-7700-602-017	LEASE PRINCIPAL - # 26 ROAD GARAGE BLDG			18,333.34	18,333.34	18,333.34	18,333.34 100.0%	
02-7700-602-018	LEASE PRINCIPAL - # 27 TRUCK							
02-7700-606-003	LEASE INTEREST - # 4 ROADS	50,144.09		(24,208.31)	25,935.78		25,935.78 100.0%	(0.00)
02-7700-606-004	LEASE INTEREST - #5 ROADS	36,481.66		(17,760.36)	18,721.30		18,721.30 100.0%	
02-7700-606-008	LEASE INTEREST - # 16 BACKHOE	799.48			799.48	155.26	740.23 92.6%	59.25
02-7700-606-009	LEASE INTEREST - # 20 ROAD PAVING PJCT	17,400.84		(8,452.23)	8,948.61		8,948.61 100.0%	0.00
02-7700-606-013	LEASE INTEREST - # 21 ROAD RESURFACING	12,207.15		(5,580.56)	6,626.59		6,626.59 100.0%	(0.00)
02-7700-606-017	LEASE INTEREST - # 26 ROAD GARAGE BLDG			11,912.97	11,912.97	11,912.97	11,912.97 100.0%	
02-7700-606-018	LEASE INTEREST - # 27 TRUCK			565.41	565.41	565.41	565.41 100.0%	
02-8000-742-	ROAD DEPARTMENT SALT BIN			10,474.88	10,474.88		10,474.88 100.0%	
02-8003-741-	BRIDGE PROJECTS	90,000.00		257,231.05	347,231.05	34,900.00	347,231.05 100.0%	
02-8005-741-	INFRASTRUCTURE IMPROVEMENT PROJECTS	203,000.00		(195,700.00)	7,300.00	7,300.00	7,300.00 100.0%	
02-8005-741-002	BLACKTOP PROJECTS			660,138.44	660,138.44	267,837.26	660,138.44 100.0%	
02-9100-535-	VEHICLE & EQUIPMENT INSURANCE	43,000.00			43,000.00		42,254.59 98.3%	745.41

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court Appropriation Condition Report								SECTION IV	
As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance	
02-9200-999-	RESERVE FOR TRANSFERS	110,889.38	622,713.54	(726,691.02)	6,911.90			6,911.90	
02-9300-999-	TRANSFER TO OTHER FUNDS								
02-9400-201-	FRINGES SOCIAL SECURITY	28,100.00			28,100.00	6,915.27	26,204.04 93.3%	1,895.96	
02-9400-202-	FRINGES RETIREMENT	75,500.00			75,500.00	18,372.43	66,240.28 87.7%	9,259.72	
02-9400-205-	FRINGES HEALTH INSURANCE	80,000.00		32,155.84	112,155.84	28,038.96	112,155.84 100.0%	(0.00)	
02-9400-205-002	FRINGES DENTAL INSURANCE	4,500.00		123.24	4,623.24	1,155.81	4,623.24 100.0%		
02-9400-208-	FRINGES UNEMPLOYMENT INSURANCE			1,739.76	1,739.76		1,739.76 100.0%		
02-9400-209-	FRINGES WORKMEN'S COMPENSATION	17,750.00			17,750.00		16,009.40 90.2%	1,740.60	
02-9500-902-	NAT'L FOREST PYMT TO SCHOOL DISTRICT	26,000.00			26,000.00			26,000.00	
TOTAL ROAD FUND		1,698,227.00	622,713.54	178,440.37	2,499,380.91	593,720.94	2,404,705.38 96.2%	94,675.53	
03-5101-101-	JAILER SALARY	30,000.10		3,851.96	33,852.06	8,076.95	33,852.06 100.0%	0.00	
03-5101-103-	JAILER DEPUTIES	40,000.00		664.00	40,664.00	10,998.40	40,664.00 100.0%	0.00	
03-5101-105-	MATRONS	5,700.00		13,844.00	19,544.00	5,286.40	19,544.00 100.0%	(0.00)	
03-5101-314-	CONTRACTS WITH OTHER COUNTIES	410,000.00		(88,251.00)	321,749.00	72,261.00	321,749.00 100.0%		
03-5101-481-	JAILER UNIFORMS			615.44	615.44		615.44 100.0%		
03-5101-531-	JAILER'S BOND	115.00		(13.20)	101.80		101.80 100.0%		
03-5101-549-	ROUTINE MEDICAL EXPENSES	50,000.00		16,577.44	66,577.44	21,680.10	66,577.44 100.0%	0.00	
03-5101-569-	CONFERENCES & TRAINING	2,000.00		(1,425.00)	575.00	275.00	575.00 100.0%		
03-5101-573-	TELEPHONE	2,500.00		(630.53)	1,869.47	442.55	1,869.47 100.0%		
03-5101-576-	TRAVEL EXPENSES - JAILERS OFFICE			634.99	634.99	634.99	634.99 100.0%		
03-5101-592-	VEHICLE OPERATION & MAINTENANCE	20,000.00		1,721.36	21,721.36	5,764.73	21,721.36 100.0%	(0.00)	
03-5101-599-	MISCELLANEOUS EXPENSES	1,000.00		(572.52)	427.48		427.48 100.0%		
03-5101-723-	JAILER'S VAN PURCHASE								
03-5102-314-	HOUSING JUVENILES	9,000.00		(8,593.50)	406.50	30.50	406.50 100.0%		
03-9200-999-	RESERVE FOR TRANSFERS		20,447.98	(13,010.27)	7,437.71			7,437.71	
03-9300-999-	TRANSFER TO OTHER FUND								
03-9400-201-	FRINGES SOCIAL SECURITY	5,400.00		1,219.92	6,619.92	1,714.58	6,619.92 100.0%	(0.00)	
03-9400-202-	FRINGES RETIREMENT	27,000.00		8,366.91	35,366.91	9,160.13	35,366.91 100.0%	0.00	
TOTAL JAIL FUND		602,715.10	20,447.98	-65,000.00	558,163.08	136,325.33	550,725.37 98.7%	7,437.71	

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court								SECTION IV
Appropriation Condition Report								
As Of: 06/30/2013								
Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
04-9200-999-	RESERVE FOR TRANSFERS							
04-9300-999-	TRANSFER TO OTHER FUND							
TOTAL L.G.E.A. FUND		0.00						
12-5150-513-	TIMBERLAND TAXING FUND APPROPRIATION	3,520.00	41,730.56	(41,467.56)	3,783.00	3,783.00	3,783.00 100.0%	
12-9300-999-	TRANSFER TO OTHER FUND							
TOTAL FOREST FIRE FUND		3,520.00	41,730.56	-41,467.56	3,783.00	3,783.00	3,783.00 100.0%	
75-5001-723-	2012 FORD F150 CREW CAB - JUDGES AUTO							
75-5015-340-001	INSURANCE PRCDs - SHERIFF DEPT AUTO REP/			4,783.66	4,783.66		4,783.66 100.0%	
75-5015-435-	KACO SHERIFF VEHICLE GRANT	215.87			215.87			215.87
75-5015-723-	SHERIFF'S OFFICE LGEDG GRANT							
75-5075-319-	FLEX E GRANT VIDEO MAPPING PROJECT							
75-5080-548-001	AOC INSURANCE PROCEEDS			8,200,000.00	8,200,000.00		8,200,000.00 100.0%	
75-5085-548-010	REBUILD MORGAN COUNTY KENTUCKY, INC.			9,601,867.28	9,601,867.28		9,601,867.28 100.0%	(0.00)
75-5085-548-011	EXCESS FUNDS FROM NMTC CLOSING							
75-5100-548-001	FEMA PA-04-KY-4057-PW-00106(0)B EMGY MSR			145,162.63	145,162.63		145,162.63 100.0%	
75-5120- -002	WHITE OAK VOLUNTEER FIRE DEPT GRANT PRJ							
75-5120- -003	BLACKWATER VOLUNTEER FIRE DEPT GRANT P		4,482.60		4,482.60		4,482.60 100.0%	
75-5120- -004	WEST LIBERTY VOLUNTEER FIRE DEPT GRANT		10,000.00		10,000.00		10,000.00 100.0%	
75-5120- -005	519 VOLUNTEER FIRE DEPARTMENT GRANT		10,000.00		10,000.00		10,000.00 100.0%	
75-5120-742-	519 / WRIGLEY FIRE DEPT GRANT PROJECT							
75-5121-739-	FIREWISE PROGRAM EXPENDITURES	267.23			267.23			267.23
75-5130-340-	INS PRCDs - REPAIRS TO RESC SOD AUTO			2,141.00	2,141.00		2,141.00 100.0%	
75-5135-548-001	FEMA PA-04-KY-4057-PW00106(0) EMERG SVS			45,095.00	45,095.00		45,095.00 100.0%	
75-5210-548-	2012 OPEN DUMP CLEAN UP: FERGSN & KEATN			7,200.00	7,200.00	7,200.00	7,200.00 100.0%	
75-5212-348-	LITTER ABATEMENT PROGRAM	28,558.92		(1,500.00)	27,058.92	129.11	129.11 0.5%	26,929.81
75-5212-366-	MORGAN CO TIRE DISPOSAL PROGRAM	5,437.00			5,437.00	136.00	316.00 5.8%	5,121.00
75-5215-548-	2012 TORNADO SOLID WASTE REMOVAL							
75-5215-548-002	2012 TRNDO DEBRIS RMVL PF-68-5C16-12-036							
75-5215-548-003	2012 TRNDO DEBRIS RMVL PF-68-5C16-12-041							

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**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court							SECTION IV		
Appropriation Condition Report									
As Of: 06/30/2013									
Period From: 04/01/2013 To: 06/30/2013									
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance	
75-5215-548-004	2012 TRNDO DEBRIS RMVL PJ 68-5C16-12-042								
75-5215-548-005	2012 TRNDO DEBRIS RMVL PJ 68-5C16-12-057								
75-5215-548-006	2012 TRNDO DEBRIS RMVL PJ68-5C16-12-066								
75-5215-548-007	2012 TRNDO DEBRIS RMVL PJ68-5C16-12-062			32,400.00	32,400.00		32,400.00 100.0%		
75-5215-548-008	2012 TRNDO DEBRIS RMVL PJ68-5C16-12-061		57,600.00		57,600.00		57,600.00 100.0%		
75-5215-548-009	FEMA PA-04-KY-4057-PW-00002(0) DEBRIS RMV			1,714,458.11	1,714,458.11	54,438.11	1,714,458.11 100.0%		
75-5217-366-	2013 MORGAN CO CRUMB RUBBER GRANT EXP		17,900.00		17,900.00			17,900.00	
75-5231-548-	HEALTH DEPT RECONSTRUCTION EXPENSES			180,812.50	180,812.50		180,812.50 100.0%		
75-5232-515-	DEAD ANIMAL DISPOSAL PROGRAM	7,365.00			7,365.00	1,765.00	7,245.00 98.4%	120.00	
75-5305-548-	2012 COMM DEVELOPMENT BLOCK GRANT - CEI		500,000.00		500,000.00			500,000.00	
75-5400-548-001	FEMA REC PRJCT PA-04-KY-4057-PW-00050(0)			244,062.58	244,062.58		244,062.58 100.0%	(0.00)	
75-5401-718-	DELANCY PARK PROJECT			26,738.00	26,738.00		26,738.00 100.0%		
75-6100-548-001	FEMA PA-04-KY-4057-PW00001 LOST CREEK			47,390.00	47,390.00		47,390.00 100.0%		
75-7401-601-001	FEMA LINE OF CREDIT PRINCIPAL - COMM BK			1,594,020.82	1,594,020.82		1,590,005.19 99.7%	4,015.63	
75-7401-601-002	INSURANCE LINE OF CRDIT PRIN - COMM BANK								
75-7401-605-	BOND INTEREST - G/O ANT NOTE 2012 MORGAN								
75-7401-605-001	FEMA LINE OF CREDIT INTEREST - COMM BK			26,202.67	26,202.67	3,720.89	26,202.67 100.0%		
75-7401-605-002	INSURANCE LINE OF CREDIT INT - COMM BANK								
75-8000-323-	MORGAN / WOLFE INDSTRIL PARK ENGEER SVS			42,383.30	42,383.30		42,383.30 100.0%		
75-8000-441-	COAL SEV ALLOTMENT RESCUE SQUAD EQUIP		10,000.00		10,000.00		10,000.00 100.0%		
75-8000-548-	2012 TORNADO GENERAL REBUILDING EXPENSI			125,455.42	125,455.42		125,455.42 100.0%		
75-8000-713-	COAL SEVER ROAD EQUIPMENT GRANT								
75-8000-739-	LGEDF GRANT PROJECTS								
75-8000-741-	AGRICULTURAL DEVELOPMENT GRANT PROGR.	187,500.00			187,500.00	664.11	183,578.85 97.9%	3,921.15	
75-8000-742-001	MORGAN CO GOV BLDG / COMM CTR RENO PRJ			1,349,989.05	1,349,989.05		1,349,989.05 100.0%		
75-8000-742-002	MORGAN CO JUDICIAL CENTER PROJECT			42,372.00	42,372.00		42,372.00 100.0%		
75-8000-742-003	MORGAN COUNTY / WEST LIBERTY MASTER PLJ			100,738.60	100,738.60		100,738.60 100.0%		
75-8000-742-004	MORGAN CO OLD COURTHOUSE RENO REPAIR			121,513.95	121,513.95		121,513.95 100.0%		
75-8000-742-005	MORGAN CO WELLNESS & YOUTH CENTER PRJ			32,723.58	32,723.58		32,723.58 100.0%		
75-9100-398-	PROGRAM ADMIN FEES AG DEVELOPMENT	9,500.00		89.00	9,589.00		9,589.00 100.0%		

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court Appropriation Condition Report								SECTION IV
As Of: 06/30/2013 Period From: 04/01/2013 To: 06/30/2013								
Account No.	Account Name	Original Budget	Amendments	Transfers +/-	Total Available	Claims - Period	Claims - YTD %Used	Free Balance
75-9200-999-	RESERVE FOR TRANSFERS	308,132.49	23,166,977.39	(23,465,983.77)	9,126.11			9,126.11
75-9300-999-	TRANSFER TO OTHER FUND							
	TOTAL SPECIAL PROJ. FUND	546,976.51	23,776,959.99	220,115.38	24,544,051.88	68,053.22	23,976,435.08 97.7%	567,616.80
	GRAND TOTAL ALL FUNDS	4,960,198.15	25,615,622.80	0.00	30,575,820.95	1,392,565.33	29,808,627.94 97.5%	767,193.01

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

**Morgan County Fiscal Court**

*Fiscal Year 2012-2013*


*Period Ending: June 30, 2013*

**County Financial Statement**

SECTION IV

**Appropriation Condition Section**

*TO THE BEST OF MY KNOWLEDGE, THE INFORMATION CONTAINED HEREIN IS ACCURATE AND COMPLETE.*

  
\_\_\_\_\_  
Tim Conley, County Judge/Executive

*7-24-13*  
\_\_\_\_\_  
Date

**MORGAN COUNTY**  
**FOURTH QUARTER FINANCIAL STATEMENT**  
**For The Year Ended June 30, 2013**  
**(Continued)**

Morgan County Fiscal Court										
Liabilities Journal										
All Funds										
Period From: 04/01/2013 To: 06/30/2013										
Issue	Date	Description	Prin. Account	Prin. Amount	Prin. Balance	Interest Account	Int. Amount	Int. Balance	Issue Total	Issue Balance
06	04/19/2002	MORGAN COUNTY LIBRARY	01-7700-602-	2,260,000.00	1,153,654.00	01-7700-606-	1,333,002.47	298,878.27	3,593,002.47	1,452,532.27
16	09/29/2008	BACKHOE LOADER	02-7700-602-008	47,607.00	9,607.00	02-7700-606-00:	6,569.81	490.24	54,176.81	10,097.24
19	01/12/2009	MINI MOD AMBULANCE	01-7700-602-011	89,980.00	19,980.00	01-7700-606-01	11,304.60	610.24	101,284.60	20,590.24
23	11/17/2010	AMBULANCE PURCHASE	01-7700-602-015	100,000.00	35,416.77	01-7700-606-01:	8,946.96	627.53	108,946.96	36,044.30
26	03/23/2012	ROAD GARAGE BUILDING &	02-7700-602-017	1,650,000.00	1,530,833.29	02-7700-606-01'	208,000.58	116,067.32	1,858,000.58	1,646,900.61
001	07/20/2012	FEMA LINE OF CREDIT	75-7401-601-001	552,000.00	551,725.02	75-7401-605-00		8,326.00	552,000.00	560,051.02
27	11/06/2012	TRUCK	02-7700-602-018	149,316.00	149,316.00	02-7700-606-01:	10,664.09	6,219.51	159,980.09	155,535.51
003	12/27/2012	G/O BOND ANTICIPATION NO	01-7401-601-001	2,627,489.46	2,627,489.46	01-7401-605-00	136,178.39	95,377.86	2,763,667.85	2,722,867.32
BOND	12/27/2012	KACo - SERIES 2012B BONDS	01-7401-601-002	1,600,000.00	1,581,818.20	01-7401-605-00:	1,293,219.67	1,251,697.05	2,893,219.67	2,833,515.25
28	01/18/2013	AMBULANCE PURCHASE	01-7700-602-019	105,823.00	95,306.40	01-7700-606-01:	10,153.78	8,061.36	115,976.78	103,367.76
10 Issues Listed				9,182,215.46	7,755,146.14		3,018,040.35	1,786,355.38	12,200,255.81	9,541,501.52

**MORGAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



County	FY	Name of Federal Agency	Name of State Agency	Applicant ID #	PW # -00002(0)	Award Amount	Expended
Morgan	2012/2013	Diaster 4057-DR-KY FEMA	Kentucky Emergency Management	175-99175-00	Cat A - Debris	\$ 831,467.80	\$ 1,061,900.12
						\$ 468,327.87	\$ 598,119.86
						\$ 44,759.39	\$ 57,163.96
						\$ 15,033.60	\$ 19,200.00
						\$ 42,625.05	\$ 54,438.11
						\$ 1,402,213.71	\$ 1,790,822.05
					PW # 00106(0)		
Morgan	2012/2013	FEMA	Kentucky Emergency Management	175-99175-00	Cat B - Emgy	\$ 35,309.38	\$ 45,095.00
						\$ 62,846.87	\$ 145,162.63
						\$ 98,156.25	\$ 190,257.63
					PW # 00050(0)		
Morgan	2012/2013	FEMA	Kentucky Emergency Management	175-99175-00	Cat G - Long Br	\$ 191,101.00	\$ 244,062.58
					PW # 00001(0)		
Morgan	2012/2013	FEMA	Kentucky Emergency Management	175-99175-00	Cat C -Culvert	\$ 37,655.59	\$ 47,390.00
			FEMA TOTAL EXPENDITURES				\$ 2,272,532.30

Note: This was prepared by the county's FEMA applicant agent. The amounts for FEMA included federal, state, and local expenditures. Federal expenditures from National Resources Conservation Service and Appalachian Regional Commission were not included.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tim Conley, Former Morgan County Judge/Executive  
The Honorable Stanley Franklin, Morgan County Judge/Executive  
Members of the Morgan County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial activity contained in the Fourth Quarter Report of the Morgan County Fiscal Court, as of and for the year ended June 30, 2013 and have issued our report thereon dated October 28, 2015. Our report disclaims an opinion on the Fourth Quarter Report of the Morgan County Fiscal Court because abuse and intentional override of internal controls by management occurred that had a material effect on the financial statements.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements, we considered the Morgan County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Morgan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Morgan County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned as items 2013-001, 2013-002, 2013-003, 2013-004, and 2013-005 to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance And Other Matters**

In connection with our engagement to audit the financial statement of the Morgan County Fiscal Court, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned as items 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009 and 2013-010. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statement, other instances of noncompliance or other matters may have been identified and reported herein.

**County Judge's Responses to Findings**

The Morgan County Judge's responses to the findings identified in our engagement are described in the accompanying schedule of findings and questioned costs. The County Judge's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 28, 2015

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tim Conley, Former Morgan County Judge/Executive  
The Honorable Stanley Franklin, Morgan County Judge/Executive  
Members of the Morgan County Fiscal Court

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We were engaged to audit the compliance of the Morgan County Fiscal Court with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Morgan County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We were engaged to conduct an audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Our audit does not provide a legal determination of the Morgan County Fiscal Court's compliance.

**Basis for Disclaimer of Opinion on CFDA #10.923, CFDA #23.011, And CFDA #97.036**

As described in the accompanying schedule of findings and questioned costs, Morgan County did not comply with requirements regarding CFDA #10.923, CFDA #23.011 and CFDA #97.036 as described in finding numbers 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-016, 2013-017, 2013-018, 2013-019, 2013-020, 2013-021, and 2013-022. Compliance with such requirements is necessary, in our opinion, for Morgan County to comply with the requirements to that program.



Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

**Disclaimer of Opinion on CFDA #10.923, CFDA #23.011, And CFDA #97.036**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our compliance auditing procedures also disclosed other instances of noncompliance with the compliance requirements referred to above with are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questions costs as items 2013-013, 2013-014, 2013-015, 2013-016, 2013-017, 2013-018, 2013-019, 2013-020, 2013-021, and 2013-022.

**Report on Internal Control over Compliance**

Management of the Morgan County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our compliance audit, we considered Morgan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-011 and 2013-012 to be material weaknesses.



Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

**County Judge's Responses to Findings**

The Morgan County Judge's responses to the findings identified in our engagement are described in the accompanying schedule of findings and questioned costs. The County Judge's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statement and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

October 28, 2015

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**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2013**



**MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2013**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report does not express an opinion on the statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents – Regulatory Basis of Morgan County.
2. Five material weaknesses relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. Ten instances of noncompliance material to the financial statement of Morgan County were disclosed during the audit.
4. Two material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Morgan County does not express an opinion.
6. There are twelve findings relative to the major federal awards programs for Morgan County reported in Part C of this schedule.
7. The programs tested as major programs were: Emergency Watershed Protection Program (CFDA #10.923), Appalachian Research, Technical Assistance and Demonstration Projects (CDFA #23.011), and Disaster Grant – Public Assistance (CFDA #97.036).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Morgan County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES**

**2013-001    The Fiscal Court Should Have Had More Oversight Of The Activities Of The County And The Former County Judge/Executive**

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On February 29, 2012, the former County Judge/Executive, pursuant to KRS 39A.100(2), declared a local state of emergency due to the severe weather and possible tornado. Under this declaration, the former County Judge/Executive waived procedures and formalities otherwise required by the law pertaining to: a) performance of public work, b) entering into contracts, c) incurring obligations, d) employment of permanent and temporary workers, e) utilization of volunteer workers, f) rental of equipment, g) appropriation and expenditure of public funds. On March 2, 2012, a tornado caused significant damage to Morgan County.

On March 12, 2012, the fiscal court approved "to continue to work under an emergency order and to allow [the Judge/Executive] to pay all bills, insurance claims, and replace county vehicles as needed and to sign all documents as needed." The fiscal court allowed the former County Judge/Executive to continue to act under the local emergency order until February 13, 2014, a period of nearly two years. To put this emergency order's timeframe in perspective, the state of emergency Order issued by the Governor was for a period of one month. KRS 39A.100(2) allows a judge/executive to "declare in writing that a state of emergency exists, and thereafter, subject to any orders of the Governor, shall have and may exercise for the period as the state of emergency exists or continues," certain emergency powers listed in the statute. The statute does not authorize a county fiscal court to approve or extend a judge/executive's emergency order. During this period of almost two years, the former County Judge/Executive utilized emergency authority to enter into contracts without following bidding procedures. This created an environment of very little oversight and opportunities for management override internal controls. It appears that the former County Judge/Executive abused the authority of the emergency declaration by not properly bidding many contracts.

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)**

**2013-001 The Fiscal Court Should Have Had More Oversight Of The Activities Of The County And The Former County Judge/Executive (Continued)**

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During the time period the emergency declaration was in effect, the former County Judge/Executive was president of the Public Properties Corporation, president of the Morgan County Real Properties I, Inc., president of the Morgan Real Properties II, Inc., and chairman of the Morgan County Arts and Recreation Commission. Many of the decisions made by these entities were made by the former County Judge/Executive without board approval. In addition, the fiscal court was not fully informed of the activities of these entities, even though \$7,601,867 of county funds was being utilized by these entities. In fact, auditors were unable to locate any county employees that had knowledge of the structure and activity of Morgan County Real Properties I and II corporations. Auditors had to rely on information from outside sources to determine the disposition of county assets and insurance proceeds. In order for comprehensive financial oversight to occur, the County Judge/Executive is obligated to report to the fiscal court any and all activity that the County Judge/Executive approves while serving in his official capacity on other governing boards, especially when county funds and assets are being utilized by the entities.

Due to decisions made and actions taken by the former County Judge/Executive while under the local emergency order, FEMA funding may have been deobligated. Examples of this includes entering into long-term leases of county buildings to the water district and hospital, transferring property to the Morgan County Real Properties I and II, and accepting insurance settlements without following protocol.

The fiscal court permitted the former County Judge/Executive to continue utilizing emergency authority for more than two years after the March 2012 tornado. Instead, the fiscal court should have limited the time frame and scope of the local emergency order by resuming its regular oversight functions after the Governor's 30-day emergency order expired, and should have required special meetings as necessary to have more control and oversight of the county's activities. The lack of oversight by the fiscal court subjected the county to waste, fraud, and abuse. We will refer this audit and the following comments to the Office of the Attorney General.

We recommend the fiscal court review the county's administrative code to address emergency declarations and require a reasonable period for the emergency declaration. We also recommend the County Judge/Executive report to the fiscal court activities that he participates in that a) impacts county assets and b) are part of his official duties as County Judge/Executive.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: We will review the administrative code to address emergency declarations and require a reasonable period for the emergency declaration. We currently conduct numerous special meetings to keep the magistrates abreast of current financial conditions and other matters.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)**

**2013-002 The County Has An Outstanding Encumbrance In The Amount Of \$954,936**

The county has an outstanding encumbrance in excess of available cash balances. On March 15, 2012, the county received invoices from a third party vendor totaling \$2,790,940 for services provided after the tornado on March 2, 2012. This vendor provided delivery and pickup of items for temporary use, which include the following items: office space (tent and trailers), storage trailer, tables, chairs, portable restrooms, generators, HVAC system, lighting, and two all-terrain vehicles. The county used these items for approximately 3 months. The former County Judge/Executive entered into a contract with the vendor that was not reviewed and approved by the former County Attorney and was not approved by the fiscal court. The former County Attorney provided a contract for the former County Judge/Executive and the vendor to sign in May 2013 (more than 1 year after the disaster) that states, in part, "This agreement is effective retroactive to March 5, 2012....". The former County Judge/Executive did not use this contract but, instead, used a contract that did not include a date the contract was signed but did state that the effective date of the contract was March 3, 2012.

The contract which was executed did not address the price of services to be provided, the service period, or the location of the services. On May 9, 2012, the vendor submitted a second set of invoices to the county, which showed a reduction by the vendor from the original total of \$2,790,940, to \$1,730,464. The reductions were a result of a change in the rental period, units billed and delivery fees. These reduced invoices were submitted to FEMA for reimbursement. However, Kentucky Emergency Management has questioned the validity of the contract, the necessity of services, the lack of competitive pricing, and the vendor selection method. Additionally, on January 30, 2014, these vendor invoices were reduced by the vendor for a second time to a total of \$954,936, which results in a total reduction of \$1,836,004 from the original invoices. Auditors were unable to determine the reason for these adjustments, and a review of fiscal court minutes for our audit's subsequent events period (June 30, 2013 through the date of this report) did not identify the fiscal court's authorization to pay this amount. However, we have identified that on September 19, 2014, the third party vendor filed a lawsuit against the county demanding payment in the amount of \$954,936 for services rendered. Even though the invoices were submitted to FEMA and have been questioned, the fiscal court minutes show the fiscal court has taken no action to pay these invoices. As of June 30, 2013, the General Fund had a cash balance of \$432,540. When the outstanding invoices are taken into consideration, the result is a negative unencumbered cash balance of \$1,297,924 in the General Fund as of June 30, 2013. Since this matter is currently in litigation, however, and the outcome of the litigation is uncertain, auditors cannot determine at this time the unencumbered cash balance in the General Fund as of June 30, 2013.

Due to the questions raised by Kentucky Emergency Management, and due to the on-going litigation between the county and the vendor over these invoices, we recommend awaiting the litigation's conclusion before the fiscal court determines whether these encumbrances, and in what amounts, are found by the Morgan Circuit Court to be legitimate disbursements of the county.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: We agree that there is significant uncertainty for the amount of the encumbrance. We are very aware that the County will likely need to incur additional debt to pay this vendor when a settlement is reached. The County Attorney is in the process of determining the fair market value of the services provided and negotiating a settlement with the vendor. Furthermore, we agree that all contracts should be reviewed and approved by the County Attorney and the Fiscal Court. We will ensure that this occurs regarding all contracts in the future.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)**

**2013-003 The Fiscal Court Does Not Have Adequate Oversight Over The Morgan County Real Properties I And II**

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The county does not have adequate oversight and internal controls over the Morgan County Real Properties I and II, which were created to comply with the New Markets Tax Credit regulations in order to receive funding for projects to rebuild Morgan County after the tornado on March 2, 2012. These projects are for paying the costs of the acquisition, construction, installation and equipping a community center, parking garage, extension office, wellness and recovery center, and the renovation of the old Morgan County Courthouse. During our fieldwork, none of the county employees we spoke with fully understood and oversaw the activity surrounding the Morgan County Real Properties I and II accounts to a level sufficient to give assurance that transactions are complete, accurate, free from material misstatement, and utilized for intended purposes.

The fiscal court placed insurance proceeds totaling \$7,601,867, debt proceeds of \$4,046,880, and grant funds of \$2,000,000 into the Morgan County Real Properties I and II bank accounts. Also, county owned property, which includes the community center and old courthouse, was transferred to the Morgan County Real Properties I and II based on the sole authority of the former County Judge/Executive. There was no clearly defined responsibility, accountability, or authority over these transactions which place the county at risk for waste, fraud, and abuse.

The boards of directors established to manage the Morgan County Real Properties I and II corporations were merely a formality, as the boards did not take any action to oversee the activity that was taking place. There were no official minutes provided of the meetings provided to the auditors, although requested from various county employees. Auditors were unable to identify county employees that even had knowledge of the existence of these entities. Auditors had to utilize third party sources to obtain information and documents and to gain an understanding of the activity of these accounts.

We recommend the county ensure that proper controls are in place to monitor the activities of the Morgan County Real Properties I and II corporations.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: The Deputy Judge has made it a priority to understand this structure and has become very familiar with these entities. The Deputy Judge will be able to answer any future questions regarding these entities. Since taking office in January 2015, I have attended all Morgan County Real Properties I and II meetings. These meetings are currently conducted monthly and minutes are prepared and approved.*



**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)

2013-004 The Fiscal Court Should Ensure Insurance Policies Are Adequate

The Morgan County Judicial Center was under construction when it was damaged by the tornado on March 2, 2012. The county reached a settlement with the insurance company on September 13, 2012 in the amount of \$8,385,183. However, this amount was not adequate to cover the costs to rebuild the damaged building. On April 18, 2013, the county issued revenue bonds in the amount of \$1,635,000 for the purpose of completing the Judicial Center due to the fact there was inadequate insurance coverage. The county requested FEMA to reimburse the county for the difference in the insurance proceeds and the cost to rebuild the Judicial Center. However, this project has not been obligated by FEMA and is still under review. We recommend the county implement controls to ensure that insurance coverage is adequate in the future.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: We will reevaluate each building's insurance coverage to determine that the coverage is adequate to cover costs to rebuild the buildings if damaged.*

2013-005 Public Properties Corporation Disbursements Were Not Approved By The Project Development Board

We could not find documentation of approval of \$5,263,658 of Public Properties Corporation disbursements for the judicial center. All disbursements are required to be approved by the Project Development Board before payment is made. There were nine months in which disbursements were paid and only three monthly board meetings for the months of October, February and May. There were no disbursements approved in October. The documentation for the February meeting approved a total for disbursements to be paid; however, the total amount approved did not agree to the actual amounts paid. The May meeting approved invoices, but no listing or amounts were provided. All payments were signed off by the former County Judge/Executive and a representative of the Administrative Office of the Courts; but, the Project Development Board members may not have been aware of the disbursements being paid. We recommend all disbursements be approved in the official minutes of the Project Development Board with a listing of each vendor and amount to be paid.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: During judicial center construction projects, the Project Development Board will meet monthly and all expenditures will be approved prior to payment.*

2013-006 The Fiscal Court Should Pay Invoices Within 30 Working Days

During the course of our audit, in testing paid disbursements we found 14 invoices during the year, totaling \$682,272 that were not paid within 30 working days. Per KRS 65.140(2), all bills for goods and services shall be paid within thirty (30) working days of the vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. If a payment of invoices exceeds 30 days, a 1% interest payment should be added. We recommend the county comply with KRS 65.140, by paying invoices within thirty (30) working days.

*Former Judge/Executive's Response: None.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)

2013-006 The Fiscal Court Should Pay Invoices Within 30 Working Days

*County Judge/Executive Stanley Franklin's Response: We understand the requirement of KRS 65.140(2) and will make every effort to comply, however, our current financial condition may not permit all bills to be paid within thirty days. We will make debt payments, utilities and payroll and related expenses a priority.*

2013-007 The Fiscal Court Should Pay Overtime Properly

During our testing of payroll, we found an employee of the county, who appears not to have been exempt from the overtime provisions of the wage and hour laws, who was not being paid overtime properly, and there was no documentation of that employee being exempt from being paid overtime at a rate of one and one-half times their hourly rate. The county's administrative code says each class of employee shall be declared "exempt" or "non-exempt" in accordance with the provisions of federal and state wage and hour laws. Employees in non-exempt classes shall receive overtime pay at the rate of one and one-half times the regular hourly wages for actual hours worked in excess of 40 hours in any work week, or may request compensatory time in lieu of overtime wages. There was no documentation in employees' personnel files of employees being designated as exempt from being paid overtime. It appears the duties of the employee in question met the criteria for the non-exempt classification. We recommend the fiscal court follow the administrative code and declare each class of employee as exempt or non-exempt in compliance with the Fair Labor Standards Act. Further, we recommend all non-exempt employees be paid overtime at a rate of one and one-half their hourly rate.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: The Fiscal Court currently pays overtime to all employees working more than forty hours in any workweek. We will also make a determination as to the employees' exempt or non-exempt status based on federal and state wage and hour laws and indicate the determination in writing in the employees' personnel files.*

2013-008 The Fiscal Court Should Approve Annually A Salary Schedule

The fiscal court did not approve and set the salaries for county employees. KRS 64.530 says the fiscal court of each county shall fix the reasonable compensation of every county officer and employee. We recommend the county list all employees and each salary or hourly pay rate for each specific job duty. The county should also include the starting pay rates for entry-level positions. The county should revise this list as increases in pay are approved by the fiscal court.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I came into office in January 2015, the fiscal court approved and set salaries for all county employees in accordance with KRS 64.530.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

STATE LAWS AND REGULATIONS AND MATERIAL WEAKNESSES (Continued)

2013-009 The County Should Properly Withhold Employees' Health Insurance Premiums

We found that the county paid the entire health insurance premium for a family plan for an employee of the County Attorney's office. The Administrative Code says the county should provide single coverage for health insurance as prescribed in the group insurance contract. Officers or employees who wish to purchase additional coverage for family members shall pay the full costs for the optional insurance. For fiscal year ending June 30, 2013, the single plan for this employee would have cost \$579 a month. However, the county was paying \$968 each month for a plan to add a dependent. The additional \$389 should have been withheld from the employee's paycheck, totaling \$4,668 for the fiscal year. This employee started receiving health insurance benefits in 2011. The county should calculate the total amount of health insurance premiums that were paid above the single plan for this employee since her employment began to determine the total amount due back to the county. We recommend the county ensure health insurance premiums are properly withheld from employees' paychecks in the future.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: This was addressed by the Fiscal Court prior to my tenure as Judge/Executive. The fiscal court, in an official action, decided not to seek reimbursement from this employee. In the future, we will implement procedures to ensure that the Fiscal Court only pays the single rate for any employees' health insurance coverage.*

2013-010 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary

During our audit, we found no indication in the official minutes that the fiscal court reviewed the administrative code. KRS 68.005(2) says that the fiscal court shall review the administrative code annually during the month of June. The county's administrative code includes job duties for county employees. These job duties do not address each job classification. We recommend that the Fiscal Court review the Administrative Code and make changes as necessary to ensure each job classification is addressed. The review of the Administrative Code should be reflected in the minutes of the Fiscal Court.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: The administrative code was reviewed in June 30, 2014 and June 30, 2015 and documented in the official minutes.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**2013-011 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards**

---

Federal Program: CFDA #97.036, CFDA #23.011, CFDA #10.923 ARRA

Federal Agency: U.S. Department of Homeland Security, Appalachian Regional Commission, U.S. Department of Agriculture

Pass Through Agency: Department of Military Affairs

Compliance Area: Activities Allowed or Unallowed, Allowable Costs and Cost Principles, Matching/Level of Effort/Earmarking, Procurement and Suspension and Debarment, Special Tests & Provisions

Questioned Costs: See individual comments

During February and March 2012, Morgan County experienced a severe weather outbreak that resulted in two tornados and substantial damage. The county qualified for disaster relief under FEMA regulations (Disaster #4057) and also obtained other grants for projects related to the storm damage. Natural Resource Conservation Service (NRCS) funds totaling \$90,000 were obtained under the Emergency Watershed Protection Program to repair damage to creeks/streams. An Appalachian Regional Commission (ARC) grant totaling \$100,000 was received to design a "Master Plan" for the reconstruction of Main Street and the downtown area. In total, the county expended \$1,847,706 in federal assistance during fiscal year ended June 30, 2013. Local funds would be used if it is determined that federal assistance is to be repaid.

In order to comply with OMB Circular A-133 regarding federal grants, the entity must establish adequate internal controls to ensure compliance with each major program's applicable compliance requirements. Numerous deficiencies were noted in the design and implementation of internal controls over federal awards:

- Failure to maintain complete and accurate supporting documentation for federal awards
- Failure to investigate/reconcile discrepancies and/or questionable transactions
- Failure to report questionable transactions to the appropriate level of management
- Failure to adequately track and monitor federal awards
- Failure to designate responsibility for compliance with appropriate individual
- Lack of follow up on questionable transactions
- Inadequate interaction between staff and management
- Inadequate flow of information to oversight agencies
- Inadequate segregation of duties between review and authorization of costs

Inadequate internal controls resulted in the following noncompliance issues:

- Adequate supporting documentation was not available for all federal expenditures (See Comment #2013-013)
- Invoices between contractors did not coincide (See Comment #2013-014)
- Supporting documentation was created by county personnel for several contractors (See Comment #2013-015)
- FEMA project may have been completed in violation of approved scope of work (See Comment #2013-016)
- Contracts were not executed in accordance with federal guidelines (See Comment #2013-017)
- Matching funds were not provided for local portion of grant as required (See Comment #2013-018)
- Bids were not solicited for all federal projects (See Comment #2013-019)
- American Reinvestment & Recovery Act (ARRA) provisions were not followed (See Comment #2013-020)
- Federal expenditures were not properly approved (See Comment #2013-021)
- Lease agreements were not properly executed (See Comment #2013-022)

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-011 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards**  
**(Continued)**

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The noncompliance issues noted above have resulted in significant questioned costs and material non-compliance with federal grants in the areas of Activities Allowed and Unallowed, Allowable Costs and Cost Principles, Matching/Level of Effort/Earmarking, Special Tests & Provisions.

We recommend the Fiscal Court review their internal controls over federal awards and design and implement controls that will ensure material compliance with applicable requirements for all federal awards. We also recommend the Fiscal Court seek guidance from grantor agencies to determine if repayment is necessary or required.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: I agree that the Fiscal Court failed to implement adequate internal controls over federal awards. We will make efforts to improve internal controls over federal awards in the future.*

**2013-012 The Fiscal Court Did Not Have Proper Oversight For Appalachian Regional Commission (ARC) Grant**

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Federal Program: CFDA #23.011

Federal Agency: Appalachian Regional Commission

Compliance Area: Internal Controls over Activities Allowed or Unallowed, Allowable Costs and Cost Principles, Cash Management, Period of Availability, Reporting

Questioned Costs: \$0

The fiscal court did not maintain adequate supporting documentation regarding the ARC grant. Auditors could not locate copies of the grant agreement, contracts, reports, requests for payment, and other relevant supporting documentation regarding this federal program. The grant was administered in conjunction with another governmental agency and auditors were able to obtain some supporting documentation from them. However, the fiscal court cannot delegate the responsibility for compliance with grant provisions. Even if other governmental agencies assist in the administration, application, and/or reporting process, the ultimate responsibility for compliance rests with the county and proper oversight of all grant activity is an essential component for adequate internal controls over compliance. The fiscal court must monitor all grant activity and maintain adequate supporting documentation to ensure that all material compliance requirements are met in accordance with OMB Circular A-133 requirements.

Failure to implement proper oversight and documentation of federal awards could have resulted in material non-compliance issues, improper payments, fraud, waste, and/or abuse.

We recommend the fiscal court ensure proper oversight over all grant activity, ensure that all required supporting documentation is maintained, and ensure that all material compliance requirements are met.

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-012 The Fiscal Court Did Not Have Proper Oversight For Appalachian Regional Commission (ARC) Grant (Continued)**

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*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: We agree that all documentation pertaining to federal awards should be maintained by the County at the Judge/Executive's office. We understand that we are ultimately the responsible party. We plan to implement procedures so that grant documents are analyzed by a county employee to determine grant requirements. Those grant requirements will be relayed to the appropriate county employees and emphasis will be placed on the importance of compliance with grant requirements.*

**2013-013 The County Did Not Maintain Adequate Supporting Documentation For Federal Expenditures**

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Federal Program: CFDA #97.036  
 Federal Agency: U.S. Department of Homeland Security  
 Pass Through Agency: Department of Military Affairs  
 Compliance Area: Allowable Costs and Cost Principles  
 Federal Questioned Costs: \$312,094  
 State Questioned Costs: \$42,353

During FEMA testing, we noted that several contractors were paid for debris removal; however, the invoices submitted for payment did not contain the necessary supporting documentation (i.e. haul tickets, weigh tickets). In some instances, the supporting documentation available did not fully support the amount billed by contractors. Auditors were unable to determine if the costs were allowable due to inadequate documentation. In addition, there was one small project that had no documentation available.

OMB Circular A-87, Attachment A, Paragraph C outlines the basic guidelines for allowable costs. In order to be allowable under for federal grants, the cost must meet certain basic criteria, including adequate documentation. Debris removal guidance for FEMA projects also states that load tickets should be used to record with specificity where the debris was picked up and the amount picked up, hauled, reduced, or disposed.

The Fiscal Court did not implement adequate internal controls over federal awards to ensure material compliance with Allowable Cost compliance requirements (See Comment #2013-011), which has resulted in material non-compliance and total questioned costs of \$354,447.

We recommend the fiscal court implement procedures to ensure all necessary supporting documentation is maintained before payments are made to contractors. We will refer this matter to the Kentucky Department of Military Affairs.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-013 The County Did Not Maintain Adequate Supporting Documentation For Federal Expenditures**  
**(Continued)**

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*tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**2013-014 Debris Removal Invoices Did Not Coincide Between FEMA Contractors**

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Federal Program: CFDA #97.036  
 Federal Agency: U.S. Department of Homeland Security  
 Pass Through Agency: Department of Military Affairs  
 Compliance Area: Allowable Costs and Cost Principles  
 Federal Questioned Costs: \$142,689  
 State Questioned Costs: \$22,830

As previously discussed, the fiscal court utilized contractors for debris removal activities as part of the disaster cleanup efforts. Certain contractors were responsible for loading and hauling the debris to designated dumpsites, where other contractors were responsible for disposing of the debris. We noted numerous instances in which the billing dates, times, and amounts between hauling and disposal contractors did not coincide. For example, one particular hauling contractor billed for debris hauling to a certain disposal site for the periods April 16 to May 10. The disposal contractor billed for this same hauling contractor for disposal that supposedly occurred before (April 9 to April 14) and after (May 31 to June 8) the hauling contractor's invoices indicate. The disposal contractor had attached haul tickets to support the invoice; however, the haul ticket numbers, dates, and amounts did not agree to the hauling contractor's documentation. The extent and magnitude of discrepancies noted indicate that invoices may not be accurate, and raises questions about the validity and accuracy of supporting documentation.

FEMA debris removal guidance states that load tickets should be used to record where the debris was picked up, the amount hauled, and the disposal method. In this instance, four part haul tickets were supposed to be used with one copy for the hauling contractor, one copy for the disposal site, one copy for the county, and one copy for FEMA. We would expect all dates, times, and amounts to agree between hauling and disposal contractors since each contractor was expected to receive a duplicate of the same haul ticket.

The fiscal court failed to implement adequate internal controls over debris removal activities. This has resulted in potential fraud, waste, and abuse as indicated by the numerous discrepancies noted among debris removal contractor documentation. Furthermore, the county has a material noncompliance with FEMA Allowable Cost requirements and questioned costs of \$165,519 related to this issue.

We recommend the fiscal court implement adequate internal controls over federal awards in order to ensure compliance with federal regulations, which includes comparing invoices not only to the supporting documentation for each contractor but also to other contractor's supporting documentation if the information should coincide. We also recommend the fiscal court consult the County Attorney and Attorney General for

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-014 Debris Removal Invoices Did Not Coincide Between FEMA Contractors (Continued)**

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guidance in determining the legitimacy and accuracy of invoices in question. We will refer this matter to the Attorney General, the Federal Bureau of Investigation, and the Department of Military Affairs.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**2013-015 The County Paid Contractors Based On Supporting Documentation That Was Created By County Personnel**

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Federal Program: CFDA #97.036  
 Federal Agency: U.S. Department of Homeland Security  
 Pass Through Agency: Department of Military Affairs  
 Compliance Area: Allowable Costs and Cost Principles  
 Federal Questioned Costs: \$46,508  
 State Questioned Costs: \$7,441

Federal Program: CFDA #10.923 ARRA  
 Federal Agency: U.S. Department of Agriculture  
 Compliance Area: Allowable Costs and Cost Principles; Procurement and Suspension and Debarment  
 Federal Questioned Costs: \$90,000

During testing of federal expenditures, we identified 6 invoices and 56 haul tickets that were created by county personnel at the direction of the former County Judge/Executive. Auditors cannot determine if the work was actually performed since contractors did not submit any documentation to substantiate work performed or amounts billed. Additionally, the documentation created by county personnel raises questions regarding the validity and accuracy of supporting documentation and substantially increases the risk of fraud, waste, and/or abuse of federal awards.

OMB Circular A-87, Attachment A, Paragraph C outlines the basic guidelines for allowable costs. In order to be allowable under for federal grants, the cost must meet certain basic criteria including adequate documentation. Debris removal guidance also states that load tickets should be used to record with specificity where the debris was picked up and the amount picked up, hauled, reduced, or disposed. If any of the



**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-015 The County Paid Contractors Based On Supporting Documentation That Was Created By County Personnel (Continued)**

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documentation on file has been created by county personnel instead of the vendor, we cannot determine proper disposition of the federal funds, increasing the risk that fraudulent activity may have occurred.

The county's failure to implement adequate internal controls over applicable compliance requirements (See Comment #2013-011) has resulted in material non-compliance with FEMA and NRCS grants for Allowable Costs and Procurement provisions. Questioned costs totaling \$143,949 have been noted related to the federal and state share of the federal programs; however, due to questions regarding the validity of the invoices, auditors were unable to substantiate any of the amounts paid.

We recommend the fiscal court implement adequate internal controls to ensure compliance with federal regulations. Additionally, we recommend the fiscal court ensure that all personnel are aware that creating documentation in an attempt to circumvent internal controls is unacceptable and may jeopardize federal grant awards. Finally, we recommend the county establish proper communication channels for employees to report information that would be relevant in relation to noncompliance, questioned costs, possible fraud, waste, abuse, etc. We also recommend the fiscal court consult the County Attorney and Attorney General for guidance in determining the legitimacy and accuracy of invoices in question. We will refer this matter to the Attorney General, the Federal Bureau of Investigation, the Department of Military Affairs, and the U.S. Department of Agriculture.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-016 The Fiscal Court May Have Used FEMA Funds To Make Improvements To Park Project**

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Federal Program: CFDA #97.036

Federal Agency: U.S. Department of Homeland Security

Pass Through Agency: Department of Military Affairs

Compliance Area: Activities Allowed or Unallowed, Allowable Costs and Cost Principles

Federal Questioned Costs: \$101,141

State Questioned Costs: \$16,183

During FEMA testing, auditors noted construction of restrooms at the Little League Park and construction of a concession stand at the swimming pool. It is unclear from the documentation available if restrooms existed at the Little League Park pre-disaster. In addition, there was a concession stand at the swimming pool pre-disaster; however, it appears that a new concession building may have been constructed in addition to repairs to the former concession building. We have been unable to obtain sufficient documentation to ascertain the exact pre-disaster condition of the park to determine if the construction projects noted were within the scope of the Project Worksheet (PW).

FEMA regulations in OMB Circular A-133 Compliance Supplement and in the *FEMA Applicant Handbook* specify that federal funds may only be used to repair facilities to pre-disaster condition. Any repairs that improve the facility or any new construction is the financial responsibility of the applicant.

The Fiscal Court did not implement adequate internal controls over federal awards to ensure material compliance with federal awards (See Comment #2013-011). Questioned costs totaling \$117,324 were noted for material non-compliance with Activities Allowed or Unallowed and Allowable Cost compliance requirements applicable to FEMA grant projects for FY 2013.

We recommend the Fiscal Court implement controls to ensure that all FEMA projects are completed within the scope of work described on the Project Worksheet. We will refer this matter to the Department of Military Affairs so that they can make a determination whether the questionable construction projects were within the approved scope of the work.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-017 The County Did Not Comply With Federal Regulations Regarding Contracts**

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Federal Program: CFDA #97.036, CFDA #23.011, CFDA #10.923 ARRA

Federal Agency: U.S. Department of Homeland Security, Appalachian Regional Commission, U.S. Department of Agriculture

Pass Through Agency: Department of Military Affairs

Compliance Area: Allowable Costs and Cost Principles; Procurement and Suspension and Debarment

Questioned Costs: \$0

During fiscal year 2013, the county relied heavily on contractors to assist in debris removal and other activities related to disaster damage. We noted numerous deficiencies in the form and execution of contracts with vendors:

- Three instances (totaling \$240,810 of federal expenditures) were identified in which vendors did not have a contract at all
- Six instances (totaling \$779,706 of federal expenditures) were identified in which the contract on file did not contain sufficiently detailed information
- None of the contracts on file contained provisions for period of performance, contract dollar limits, subcontractor plans, termination clauses, and safe working environment clauses.

In order to be in compliance with federal regulations, contracts must contain all applicable provisions and terms. In addition, contracts with clearly defined scope of work, performance limitations, and dollar limitations reduce the risk of fraud, waste, and abuse. FEMA guidelines list specific requirements for contracted services related to debris removal and include:

- All payment provisions must be based on unit prices
- Provision requiring contractors to submit invoices regularly and for no more than 30-day periods
- Must include a "Termination of Convenience" clause allowing contract termination at any time for any reason
- Reasonable limit on the period of performance for the work to be done
- A subcontractor plan including a clear description of the percentage of work the contractor may subcontract and limiting the use of subcontractors to only those approved by the entity
- Provision requiring the contractor to provide a safe working environment

The county's failure to ensure contracts were properly executed with all vendors has resulted in material non-compliance with federal awards.

We recommend the fiscal court ensure that sufficiently detailed contracts are executed properly for all vendors and that all contracts with vendors are executed in accordance with federal grant provisions.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: We agree that all documentation pertaining to federal awards should be maintained by the County at the Judge/Executive's office. We understand that we are ultimately the responsible party. We plan to implement procedures so that grant documents are analyzed by a county employee to determine grant requirements. Those grant requirements will be relayed to the appropriate county employees and emphasis will be placed on the importance of compliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-018    The Fiscal Court Failed To Provide Required Matching Funds For NRCS Projects**

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Federal Program: CFDA #10.923 ARRA

Federal Agency: U.S. Department of Agriculture

Compliance Area: Matching

Questioned Costs: \$0 (Entire amount is already listed as questioned cost under Comment #2013-015)

During our testing of NRCS expenditures, we noted the amounts paid to contractors agreed exactly to the amounts awarded for NRCS projects (\$90,000). The grant agreement specifically states that the federal portion of funding may not exceed 90% of the project total. We noted no other payments to contractors or other supporting documentation that would account for the fiscal court's 10% local match.

The fiscal court failed to implement internal controls related to Matching requirements. As a result of this failure, the county is in noncompliance with NRCS Emergency Watershed Protection project regulations.

We recommend the fiscal court maintain and track all federal awards that have matching provisions and implement adequate internal controls to ensure compliance with matching requirements. We also recommend the fiscal court contact the U.S. Department of Agriculture to determine what, if any, action can be taken to rectify this noncompliance.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-019 The Fiscal Court Failed To Solicit Bids For NRCS Projects**

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Federal Program: CFDA #10.923 ARRA

Federal Agency: U.S. Department of Agriculture

Compliance Area: Procurement and Suspension and Debarment; State and Local Laws and Regulations

Questioned Costs: \$0 (Entire amount is already listed as questioned cost under Comment #2013-15)

The Fiscal Court did not solicit bids for NRCS projects. Although the disaster occurred in March 2012, work on the NRCS projects was not started until May 2012. This would have given the county ample time to solicit bids for the projects. OMB Circular A-133 requires entities to comply with all state and local procurement provisions. KRS 424.260 states when the county makes a contract, lease, or other agreement involving an expenditure of more than \$20,000, they must advertise for bids. In order to obtain the best prices on goods and services, the fiscal court should advertise for bids on projects or budget items that are expected to exceed \$20,000. Competitive bidding increases the likelihood that the entity will procure goods and services at the best prices available, which will result in the most efficient use of taxpayer resources.

The fiscal court's failure to solicit bids for NRCS projects has resulted in noncompliance with state laws. In addition, the fiscal court may have expended more than necessary for projects that could have been more cost effective if competitive bidding was utilized.

We recommend the fiscal court implement internal controls to ensure compliance with federal awards, including provisions that indicate the entity must comply with all state and local regulations. We further recommend the fiscal court participate in competitive bidding in order to ensure the most efficient use of federal awards.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

2013-020 The Fiscal Court Failed To Comply With Regulations Regarding American Reinvestment & Recovery Act (ARRA) Funds

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Federal Program: CFDA #10.923 ARRA

Federal Agency: U.S. Department of Agriculture

Compliance Area: Special Tests & Provisions – ARRA Funding

Questioned Costs: \$0 (Entire amount is already listed as questioned cost under Comment #2013-015)

As described in Comment #2013-011, the fiscal court received funding from NRCS as part of the county's disaster recovery activities. NRCS is funded through the American Reinvestment & Recovery Act (ARRA). Special regulations apply to all entities that receive ARRA funding in order to maximize transparency and accountability to mitigate the risk of waste, fraud, abuse, and improper payments for grants awarded as part of ARRA.

Per OMB Circular A-133, entities that receive ARRA funding are expected to implement adequate internal controls to ensure grants are properly accounted for and properly expended. As discussed in Comment #2013-011, the county did not implement adequate controls over NRCS projects which resulted in material non-compliance issues, as addressed in Comment #2013-015, Comment #2013-018 and Comment #2013-019. Furthermore, entities are expected to identify and track all ARRA funding on the Schedule of Expenditures of Federal Awards (SEFA). The county failed to identify NRCS funds as ARRA related.

The lack of internal controls over federal awards and the material noncompliance issues related to the NRCS grant have resulted in the entire \$90,000 expended under the grant to be a questioned cost. In addition, as discussed in Comment #2013-015, the expenditures under the NRCS grant could represent improper payments and potentially fraudulent transactions, which is the very issue the special provisions for ARRA were established to prevent.

We recommend the fiscal court closely monitor all federal awards to determine if grants are fully or partially funded by ARRA. We further recommend the fiscal court identify and track all ARRA funds in accordance with federal guidelines. Finally, we recommend the fiscal court implement adequate internal controls to ensure that all federal awards are accounted for and expended properly and that any special provisions related to ARRA are met.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

**2013-021 The Fiscal Court Did Not Properly Approve Two FEMA Expenditures**

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Federal Program: CFDA #97.036

Federal Agency: U.S. Department of Homeland Security

Pass Through Agency: Department of Military Affairs

Compliance Area: Allowable Costs and Cost Principles

Federal Questioned Costs: \$0

We noted two instances, totaling \$265,774, in which FEMA expenditures were not approved by the fiscal court before the payments had been made. In these instances, contractors were paid for work performed and the fiscal court retroactively approved the expenditures. In order to ensure that payments are proper, adequately documented, and in compliance with allowable cost compliance requirements, the fiscal court should review and approve all expenditures prior to payment. If the fiscal court fails to do this, improper payments could be made and it would be too late for the fiscal court to take any action to correct the issue. We recommend the fiscal court ensure that all payments for federal awards be reviewed and approved prior to payment.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**MORGAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

2013-022 The Fiscal Court Did Not Execute A Lease Agreement For FEMA Temporary Relocation Activities

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Federal Program: CFDA #97.036

Federal Agency: U.S. Department of Homeland Security

Pass Through Agency: Department of Military Affairs

Compliance Area: Activities Allowed or Unallowed, Allowable Costs and Cost Principles

Federal Questioned Costs: \$0

The fiscal court leased property from a landowner for temporary facilities (i.e. tents, temporary office trailers, temporary restroom facilities, etc) to be located in the months immediately following the disaster. The fiscal court did not execute a lease agreement with the landowner stating the terms, length, and conditions of the lease. The total amount paid to the landowner was \$13,500. This is indicative of the absence of internal controls, the attitude of management, and the culture of the entity in which numerous noncompliance issues and significant questioned costs have been noted for federal programs.

Strong and adequate internal controls would require a properly executed lease agreement be approved by the fiscal court for all short term leasing arrangements. Without this documentation, the risk of improper payments or fraud/waste/abuse is increased and it is more difficult to determine if the activities and costs are allowable under FEMA regulations.

We recommend the fiscal court ensure that lease agreements are properly executed and approved for all transactions that would require such an agreement.

*Former Judge/Executive's Response: None.*

*County Judge/Executive Stanley Franklin's Response: When I took office in January 2015, I appointed a finance officer. This individual is responsible for issuing purchase orders, agreeing the purchase orders to invoices, and ensuring that invoices received are reasonable and necessary costs incurred by the Fiscal Court. The treasurer has been advised that any check written must contain sufficient and appropriate supporting documentation. I will not sign any checks that are not accompanied by sufficient and appropriate supporting documentation. The procedure of county employees' preparing vendor invoices has never occurred during my tenure as Judge/Executive. Employees' will be made aware that such action is absolutely forbidden. Bids will be solicited in accordance with federal grant requirements. Since I have taken office, all expenditures have been approved by the fiscal court and will continue to be in the future. All future lease agreements will be prepared by the County Attorney, properly executed and approved by the Fiscal Court. Furthermore, I will try to set a tone in my office regarding open communication between my staff, myself and the Fiscal Court. I will make every effort to make any employee feel comfortable discussing any situation in which they feel uncomfortable participating or feel may be a noncompliance with grant requirements.*

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.



